Semiannual report to contract holders for the six months ended June 30, 2006

SEMIANNUAL REPORT

FOR CONTRACT HOLDERS OF SCUDDER DESTINATIONS℠

AIM Variable Insurance Funds

The Alger American Fund

Credit Suisse Trust

Dreyfus Investment Portfolios

The Dreyfus Socially Responsible Growth Fund, Inc.

DWS Investments VIT Funds
(formerly Scudder Investments VIT Funds)

DWS Variable Series I
(formerly Scudder Variable Series I)

DWS Variable Series II
(formerly Scudder Variable Series II)

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER
Deutsche Bank Group

PROSPECTUS SUPPLEMENTS

This section includes supplements to your current prospectus.

Please read these supplements carefully and retain with your current prospectus.

(Prospectus supplements are not part of this report.)

THE ALGER AMERICAN FUND

Supplement dated June 14, 2006 to the Prospectuses dated May 1, 2006 As supplemented to date

The following supplements the disclosure in the first and second paragraphs of the section entitled "Legal Proceedings" under "Management and Organization" in the Prospectuses:

On June 7, 2006, the Manager, its parent, Alger Inc., and their affiliated companies reached an agreement in principle with the staff of the New York Regional Office of the SEC and with the staff of the New York State Attorney General's office ("NYAG") resolving all issues with the SEC and the NYAG related to the allegations of mutual fund market timing and late trading that were the subject of the December 2005 Wells Notice. The Manager and Alger Inc. are working with the staff of the SEC and the NYAG to finalize the agreement. The agreement is subject to the approval of the SEC and the NYAG. In the proposed settlement agreement, without admitting or denying liability, the firm will consent to the payment of $30 million dollars to reimburse fund shareholders; a fine of $10 million; and certain other remedial measures including a reduction in management fees of $1 million per year for five years. The entire $40 million and fee reduction will be available for the benefit of investors. The Manager has advised the Fund that the proposed settlement payment is not expected to adversely affect the operations of the Manager, Alger Inc. or their affiliates, or adversely affect their ability to continue to provide services to the Fund.

MAY 1, 2006

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUS OF EACH OF THE LISTED PORTFOLIOS

The following information supplements or replaces similar disclosure in each of the following portfolios' currently effective prospectuses:

DWS VARIABLE SERIES II:

DWS High Income VIP

A complete list of each fund's portfolio holdings is posted on www.dws-scudder.com as of each calendar quarter-end on or after the last day of the following month. This posted information generally remains accessible at least until the date on which a fund files its Form N-CSR or N-Q with the Securities and Exchange Commission for the period that includes the date as of which the posted information is current. Each fund's Statement of Additional Information includes a description of a fund's policies and procedures with respect to the disclosure of a fund's portfolio holdings.

The following information supplements or replaces similar disclosure in each of the following funds' currently effective prospectuses:

DWS VARIABLE SERIES I:

DWS Bond VIP

DWS VARIABLE SERIES II:

DWS Core Fixed Income VIP

DWS Government & Agency Securities VIP

DWS Income Allocation VIP

DWS Strategic Income VIP

A complete list of each fund's portfolio holdings is posted on www.dws-scudder.com as of the month-end on or after the last day of the following month. This posted information generally remains accessible at least until the date on which a fund files its Form N-CSR or N-Q with the Securities and Exchange Commission for the period that includes the date as of which the posted information is current. Each fund's Statement of Additional Information includes a description of a fund's policies and procedures with respect to the disclosure of a fund's portfolio holdings.

DWS SCUDDER
Deutsche Bank Group

The following information supplements or replaces similar disclosure in each of the following funds' currently effective prospectuses:

DWS VARIABLE SERIES I:

DWS Capital Growth VIP
DWS Global Opportunities VIP
DWS Growth & Income VIP
DWS Health Care VIP
DWS International VIP
Money Market VIP

DWS VARIABLE SERIES II:

DWS Balanced VIP
DWS Blue Chip VIP
DWS Conservative Allocation VIP
DWS Davis Venture Value VIP
DWS Dreman Financial Services VIP
DWS Dreman High Return Equity VIP
DWS Dreman Small Cap Value VIP
DWS Global Thematic VIP
DWS Growth Allocation VIP
DWS Income Allocation VIP
DWS International Select Equity VIP
DWS Janus Growth & Income VIP
DWS Janus Growth Opportunities VIP
DWS Large Cap Value VIP
DWS Mercury Large Cap Core VIP
DWS MFS Strategic Value VIP
DWS Mid Cap Growth VIP
DWS Moderate Allocation VIP
DWS Money Market VIP
DWS Oak Strategic Equity VIP
DWS Legg Mason Aggressive Growth VIP
DWS Small Cap Growth VIP
DWS Technology VIP
DWS Templeton Foreign Value VIP
DWS Turner Mid Cap Growth VIP

DWS INVESTMENTS VIT FUNDS:

DWS RREEF Real Estate Securities VIP
DWS Small Cap Index VIP
DWS Equity 500 Index VIP

A complete list of each fund's portfolio holdings is posted on www.dws-scudder.com as of the month-end on or after the last day of the following month. This posted information generally remains accessible at least until the date on which a fund files its Form N-CSR or N-Q with the Securities and Exchange Commission for the period that includes the date as of which the posted information is current. In addition, each fund's top ten holdings and other information about each fund is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end. Each fund's Statement of Additional Information includes a description of a fund's policies and procedures with respect to the disclosure of a fund's portfolio holdings.

Please Retain This Supplement for Future Reference

May 1, 2006
SVS-3602

DWS VARIABLE SERIES I

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES

DWS Bond VIP

The portfolio's Board has approved the transition of Deutsche Asset Management's management of the high yield portion of the portfolio to Aberdeen Asset Management, Inc., the portfolio's subadvisor. This portion of the portfolio will be managed by the same portfolio management team currently responsible for the core bond and active fixed income portions of the portfolio.

Please Retain This Supplement for Future Reference

August 3, 2006
SVS-3603

DWS SCUDDER
Deutsche Bank Group

DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF EACH OF THE LISTED PORTFOLIOS:

DWS Balanced VIP

DWS High Income VIP

DWS Strategic Income VIP

The following information revises similar disclosure for each of the above portfolios in "The portfolio managers" section of the prospectuses.

DWS Balanced VIP:

The following people handle the day-to-day management of the portfolio:

William Chepolis, CFA
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 after 13 years of experience as vice president and portfolio manager for Norwest Bank, where he managed the bank's fixed income and foreign exchange portfolios.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- Joined the portfolio in 2005.
- BIS, University of Minnesota.

Matthew F. MacDonald
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2006 after 14 years of fixed income experience at Bank of America Global Structured Products and PPM America, Inc., where he was portfolio manager for public fixed income, including MBS, ABS, CDOs and corporate bonds; earlier, as an analyst for MBS, ABS and money markets; and originally, at Duff & Phelps Credit Rating Company.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- BA, Harvard University; MBA, University of Chicago Graduate School of Business.

Inna Okounkova
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1999 as a quantitative analyst, becoming an associate Portfolio Manager in 2001.
- Global Asset Allocation Portfolio Manager: New York.
- Joined the portfolio in 2005.
- BS, MS, Moscow State University; MBA, University of Chicago.

Thomas F. Sassi
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1996 and the portfolio in 2004.
- Over 33 years of investment industry experience.
- BBA, MBA, Hofstra University.

Gary Sullivan, CFA
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1996 and the portfolio in 2006. Served as the head of the High Yield group in Europe and as an Emerging Markets portfolio manager.
- Prior to that, four years at Citicorp as a research analyst and structurer of collateralized mortgage obligations. Prior to Citicorp, served as an officer in the US Army from 1988 to 1991.
- BS, United States Military Academy (West Point); MBA, New York University, Stern School of Business

Julie M. Van Cleave, CFA
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2002.
- Head of Large Cap Growth Portfolio Selection Team.
- Previous experience includes 18 years of investment industry experience at Mason Street Advisors, as Managing Director and team leader for the large cap investment team.
- BBA, MBA, University of Wisconsin — Madison.

Robert Wang
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1995 as a senior fixed income portfolio manager after 13 years of experience at J.P. Morgan & Co. trading fixed income, derivatives and foreign exchange products.
- Global Asset Allocation Senior Portfolio Manager: New York.
- Joined the portfolio in 2005.
- BS, The Wharton School, University of Pennsylvania.

August 1, 2006
SVS-3604

DWS SCUDDER
Deutsche Bank Group

DWS High Income VIP:

The following person handles the day-to-day management of the portfolio:

Gary Sullivan, CFA
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1996 and the portfolio in 2006. Served as the head of the High Yield group in Europe and as an Emerging Markets portfolio manager.
- Prior to that, four years at Citicorp as a research analyst and structurer of collateralized mortgage obligations. Prior to Citicorp, served as an officer in the US Army from 1988 to 1991.
- BS, United States Military Academy (West Point); MBA, New York University, Stern School of Business

DWS Strategic Income VIP:

The following people handle the day-to-day management of the portfolio:

Gary Sullivan, CFA
Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1996 and the portfolio in 2006. Served as the head of the High Yield group in Europe and as an Emerging Markets portfolio manager.
- Prior to that, four years at Citicorp as a research analyst and structurer of collateralized mortgage obligations. Prior to Citicorp, served as an officer in the US Army from 1988 to 1991.
- BS, United States Military Academy (West Point); MBA, New York University, Stern School of Business

William Chepolis, CFA
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 after 13 years of experience as vice president and portfolio manager for Norwest Bank, where he managed the bank's fixed income and foreign exchange portfolios.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- Joined the portfolio in 2002.
- BIS, University of Minnesota.

Matthew F. MacDonald
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2006 after 14 years of fixed income experience at Bank of America Global Structured Products and PPM America, Inc., where he was portfolio manager for public fixed income, including MBS, ABS, CDOs and corporate bonds; earlier, as an analyst for MBS, ABS and money markets; and originally, at Duff & Phelps Credit Rating Company.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- BA, Harvard University; MBA, University of Chicago Graduate School of Business.

Please Retain This Supplement for Future Reference

August 1, 2006
SVS-3604

Supplement to the Prospectus

CREDIT SUISSE TRUST – GLOBAL SMALL CAP PORTFOLIO

The following information supersedes or supplements certain information in the fund's Prospectus.

Effective April 5, 2006, Laura Granger (see biography below) joined Crispin Finn on the Credit Suisse Global Small Cap Team, which is responsible for the day-to-day portfolio management of the fund. Ms. Granger manages the U.S. portion of the fund and Mr. Finn manages the non-U.S. portion. Leo Bernstein and Calvin Chung are no longer members of the team.

Team Member Biography

Laura Granger, Managing Director, is a portfolio manager specializing in growth equities. She joined Credit Suisse Asset Management, LLC in 2006 from OppenheimerFunds, where she served as a portfolio manager on the Oppenheimer Emerging Growth Fund, Oppenheimer Discovery Fund and Oppenheimer Emerging Technologies Fund. Prior to joining OppenheimerFunds in 2000, Ms. Granger served at Fortis Advisors, where she managed the Fortis Capital Appreciation and the Fortis Aggressive Series Growth Funds. Previously, Ms. Granger managed pension and foundation accounts for General Motors Investment Management. Ms. Granger earned a BS from Cornell University. Ms. Granger is a Chartered Financial Analyst.

Dated: May 10, 2006

TRGSC-PRO-16-0506
2006-08

DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF THE LISTED PORTFOLIO

DWS Dreman Small Cap Value VIP

The following information supplements the portfolio's prospectuses:

Effective November 3, 2006, DWS Dreman Small Cap Value VIP will change its name to DWS Dreman Small Mid Cap Value VIP and adopt a new investment strategy, as detailed below.

Effective November 3, 2006, the following replaces similar disclosure in "The Portfolio's Main Investment Strategy" section of the portfolio's prospectuses:

The Portfolio's Main Investment Strategy

Under normal circumstances, the portfolio invests at least 80% of net assets, plus the amount of any borrowings for investment purposes, in undervalued common stocks of small and mid-size US companies. The portfolio defines small companies as those that are similar in market value to those in the Russell 2000 Value Index (as of June 30, 2006, the Russell 2000 Value Index had a median market capitalization of $602 million). The portfolio defines mid-size companies as those that are similar in market value to those in the Russell Midcap Value Index (as of June 30, 2006, the Russell Midcap Value Index had a median market capitalization of $3.84 billion). The portfolio intends to invest primarily in companies whose market capitalizations fall within the normal range of each Index.

Effective November 3, 2006, the following disclosure supplements "The Main Risks of Investing in the Portfolio" section of the portfolio's prospectuses:

The Main Risks of Investing in the Portfolio

Mid-Cap Company Risk. Mid-cap company stocks tend to experience steeper price fluctuations — down as well as up — than stocks of larger companies. A shortage of reliable information — the same information gap that creates opportunity — can pose added risk. Industrywide reversals may have a greater impact on mid-cap companies, since they usually lack a large company's financial resources. Mid-cap company stocks are typically less liquid than large company stocks.

Effective November 3, 2006, the following replaces the disclosure in the "Performance" section of the portfolio's Class A prospectus:

Performance

While a portfolio's past performance isn't necessarily a sign of how it will do in the future, it can be valuable information for an investor to know.

Prior to January 18, 2002, the portfolio was named Scudder Small Cap Value Portfolio, operated with a different investment strategy and a different advisor managed the portfolio. Performance would have been different if the portfolio's current policies and advisory agreement had been in effect.

August 11, 2006
SVS-3605

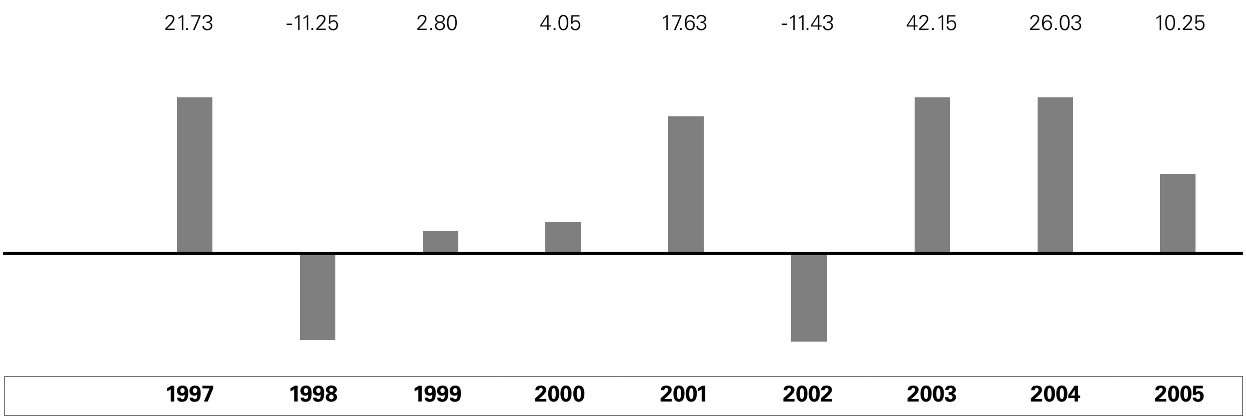
DWS SCUDDER
Deutsche Bank Group

Prior to November 3, 2006, the portfolio was named DWS Dreman Small Cap Value VIP and operated with a different investment strategy. Performance would have been different if the portfolio's current policies had been in effect.

The bar chart shows how the returns for DWS Dreman Small Mid Cap Value VIP's Class A shares have varied from year to year, which may give some idea of risk. The table shows how average annual returns for the portfolio's Class A shares compare with two broad-based market indices (which, unlike the portfolio, do not have any fees or expenses). The performance of both the portfolio and the indices varies over time. All figures on this page assume reinvestment of dividends and distributions.

This information doesn't reflect charges and fees associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Annual Total Returns (%) as of 12/31 each year **— Class A shares**



For the periods included in the bar chart:

Best Quarter: 21.84%, Q2 2003 **Worst Quarter:** -22.47%, Q3 1998

2006 Total Return as of March 31: 14.59%

Average Annual Total Returns (%) as of 12/31/2005

	1 Year	5 Years	Since Inception*
Portfolio — Class A	10.25	15.53	9.59
Index 1	7.74	13.43	13.65
Index 2	4.71	13.55	12.74

Index 1: The **Russell 2500 Value Index** measures the small- to mid-cap US equity value market.

Index 2: The **Russell 2000 Value Index** is an unmanaged index which measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

* *Since 5/1/96. Index comparisons begin 4/30/96.*

On November 3, 2006, the Russell 2500 Value Index will replace the Russell 2000 Value Index as the portfolio's benchmark index because the advisor believes it is more appropriate to measure the portfolio's performance against the Russell 2500 Value Index as it more accurately reflects the portfolio's new investment strategy.

Current performance information may be higher or lower than the performance data quoted above. For more recent performance information, contact your participating insurance company.

August 11, 2006
SVS-3605

Effective November 3, 2006, the following replaces the disclosure in the "Performance" section of the portfolio's Class B prospectus:

Performance

While a portfolio's past performance isn't necessarily a sign of how it will do in the future, it can be valuable information for an investor to know.

Prior to January 18, 2002, the portfolio was named Scudder Dreman Small Cap Value Portfolio, operated with a different goal and investment strategy and a different advisor managed the portfolio. Performance would have been different if the portfolio's current policies and advisory agreement had been in effect.

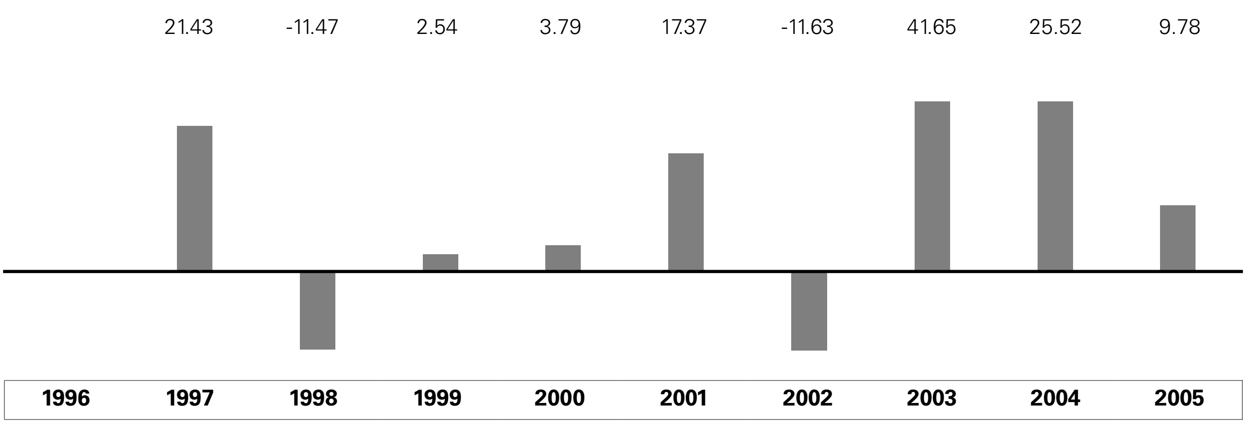
Prior to November 3, 2006, the portfolio was named DWS Dreman Small Cap Value VIP and operated with a different investment strategy. Performance would have been different if the portfolio's current policies had been in effect.

The bar chart shows how the performance of DWS Dreman Small Mid Cap Value VIP has varied from year to year, which may give some idea of risk. The table shows how average annual returns for the portfolio's Class B shares compare with two broad-based market indices (which, unlike the portfolio, do not have any fees or expenses). The performance of both the portfolio and the indices varies over time. All figures on this page assume reinvestment of dividends and distributions.

The inception date for Class B was July 1, 2002. In the bar chart and table, the performance figures for Class B before that date are based on the historical performance of the portfolio's original share class (Class A), adjusted to reflect the higher gross total annual operating expenses of Class B. Class A is offered in a different prospectus.

This information doesn't reflect charges and fees associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Annual Total Returns (%) as of 12/31 each year **— Class B shares**



For the periods included in the bar chart:

Best Quarter: 21.63%, Q2 2003 **Worst Quarter:** -22.52%, Q3 1998

2006 Total Return as of March 31: 14.52%

August 11, 2006
SVS-3605

Average Annual Total Returns (%) as of 12/31/2005

	1 Year	5 Years	Since Inception*
Portfolio — Class B	9.78	15.15	9.26
Index 1	7.74	13.43	13.65
Index 2	4.71	13.55	12.74

Index 1: The **Russell 2500 Value Index** measures the small- to mid-cap US equity value market.

Index 2: The **Russell 2000 Value Index** is an unmanaged index which measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

* *Since 5/1/96. Index comparisons begin 4/30/96.*

On November 3, 2006, the Russell 2500 Value Index will replace the Russell 2000 Value Index as the portfolio's benchmark index because the advisor believes it is more appropriate to measure the portfolio's performance against the Russell 2500 Value Index as it more accurately reflects the portfolio's new investment strategy.

Current performance information may be higher or lower than the performance data quoted above. For more recent performance information, contact your participating insurance company.

Please Retain This Supplement for Future Reference

August 11, 2006
SVS-3605

DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF EACH OF THE LISTED PORTFOLIOS:

DWS Dreman Financial Services VIP

DWS Income Allocation VIP

DWS MFS Strategic Value VIP

Deutsche Investment Management Americas Inc. (the "Advisor"), the investment advisor of the above Portfolios, is proposing the following mergers as part of the Advisor's initiative to restructure and streamline the family of DWS funds. In the chart below, the Acquired Portfolios on the left are proposed to be merged into the Acquiring Portfolios on the right.

Acquired Portfolios	**Acquiring Portfolios**
DWS Dreman Financial Services VIP	DWS Dreman High Return Equity VIP
DWS Income Allocation VIP	DWS Conservative Allocation VIP
DWS MFS Strategic Value VIP	DWS Dreman High Return Equity VIP

Completion of each merger is subject to a number of conditions, including final approval by each Portfolio's Board and approval by shareholders of the applicable Acquired Portfolio at a shareholder meeting expected to be held on or about August 24, 2006. Prior to the shareholder meeting, shareholders of each Acquired Portfolio will receive: (i) a Proxy Statement/Prospectus describing in detail the proposed merger and the Board's considerations in recommending that shareholders approve the merger; (ii) a proxy card(s) and instructions on how to submit your vote; and (iii) a Prospectus for the applicable Acquiring Portfolio.

Please Retain This Supplement for Future Reference

May 12, 2006
VS2-3600

DWS SCUDDER
Deutsche Bank Group

DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF EACH OF THE LISTED PORTFOLIOS:

DWS Janus Growth Opportunities VIP

DWS Legg Mason Aggressive Growth VIP

DWS Mercury Large Cap Core VIP

DWS Oak Strategic Equity VIP

DWS Templeton Foreign Value VIP

Deutsche Investment Management Americas Inc. (the "Advisor"), the advisor of the above-noted portfolios, is proposing the following mergers as part of the Advisor's initiative to restructure and streamline the family of DWS funds. In the chart below, the Acquired Portfolios of DWS Variable Series II are proposed to be merged into the Acquiring Portfolios of DWS Variable Series I.

Acquired Portfolios	**Acquiring Portfolios**
DWS Janus Growth Opportunities VIP	DWS Capital Growth VIP
DWS Legg Mason Aggressive Growth VIP	DWS Capital Growth VIP
DWS Mercury Large Cap Core VIP	DWS Growth & Income VIP
DWS Oak Strategic Equity VIP	DWS Capital Growth VIP
DWS Templeton Foreign Value VIP	DWS International VIP

Completion of each merger is subject to a number of conditions, including final approval by each Portfolio's Board and approval by shareholders of the Acquired Portfolios at a shareholder meeting expected to be held on or about October 12, 2006. Prior to the shareholder meeting, you and your insurance company will receive (i) a Proxy Statement/Prospectus describing in detail the proposed merger and the Board's considerations in recommending that shareholders approve the merger, and (ii) a Prospectus for the applicable Acquiring Portfolio. You will also receive a voting instruction form and instructions on how to submit your voting instructions to your insurance company. Your insurance company, as shareholder, will actually vote the shares corresponding to your investment (likely by executing a proxy card) once it receives your voting instructions.

Please Retain This Supplement for Future Reference

July 12, 2006
VS2-3601

DWS SCUDDER
Deutsche Bank Group

DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF THE LISTED FUND:

DWS Strategic Income VIP

The following information revises similar disclosure in "The portfolio managers" section of the prospectuses.

The following people handle the day-to-day management of the portfolio:

Andrew P. Cestone

Managing Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 and the portfolio in 2002.
- Head of High Yield.
- Previous experience includes five years as an investment analyst at Phoenix Investment Partners and as a credit officer in the asset-based lending group at Fleet Financial Group.
- BA, University of Vermont.

William Chepolis, CFA

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 after 13 years of experience as vice president and portfolio manager for Norwest Bank, where he managed the bank's fixed income and foreign exchange portfolios.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- Joined the portfolio in 2002.
- BIS, University of Minnesota.

Matthew F. MacDonald

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2006 after 14 years of fixed income experience at Bank of America Global Structured Products and PPM America, Inc., where he was portfolio manager for public fixed income, including MBS, ABS, CDOs and corporate bonds; earlier, as an analyst for MBS, ABS and money markets; and originally, at Duff & Phelps Credit Rating Company.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- BA, Harvard University; MBA, University of Chicago Graduate School of Business.

Please Retain This Supplement for Future Reference

July 7, 2006
VS2-3610

DWS SCUDDER
Deutsche Bank Group

DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF EACH OF THE LISTED FUNDS:

DWS Balanced VIP

DWS Government & Agency Securities VIP

The following information revises similar disclosure for each of the above funds in "The portfolio managers" section of the prospectuses.

DWS Balanced VIP

The following people handle the day-to-day management of the portfolio:

Andrew P. Cestone

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 and the portfolio in 2002.
- Head of High Yield.
- Previous experience includes five years as an investment analyst at Phoenix Investment Partners and as a credit officer in the asset-based lending group at Fleet Financial Group.
- BA, University of Vermont.

William Chepolis, CFA

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 after 13 years of experience as vice president and portfolio manager for Norwest Bank, where he managed the bank's fixed income and foreign exchange portfolios.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- Joined the portfolio in 2005.
- BIS, University of Minnesota.

Matthew F. MacDonald

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2006 after 14 years of fixed income experience at Bank of America Global Structured Products and PPM America, Inc., where he was portfolio manager for public fixed income, including MBS, ABS, CDOs and corporate bonds; earlier, as an analyst for MBS, ABS and money markets; and originally, at Duff & Phelps Credit Rating Company.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- BA, Harvard University; MBA, University of Chicago Graduate School of Business.

Inna Okounkova

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1999 as a quantitative analyst, becoming an associate Portfolio Manager in 2001.
- Global Asset Allocation Portfolio Manager: New York.
- Joined the portfolio in 2005.
- BS, MS, Moscow State University; MBA, University of Chicago.

Thomas F. Sassi

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1996 and the portfolio in 2004.
- Over 33 years of investment industry experience.
- BBA, MBA, Hofstra University.

Julie M. Van Cleave, CFA

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2002.
- Head of Large Cap Growth Portfolio Selection Team.
- Previous experience includes 18 years of investment industry experience at Mason Street Advisors, as Managing Director and team leader for the large cap investment team.
- BBA, MBA, University of Wisconsin — Madison.

Robert Wang

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1995 as a senior fixed income portfolio manager after 13 years of experience at J.P. Morgan & Co. trading fixed income, derivatives and foreign exchange products.
- Global Asset Allocation Senior Portfolio Manager: New York.
- Joined the portfolio in 2005.
- BS, The Wharton School, University of Pennsylvania.

DWS Government & Agency Securities VIP

The following people handle the day-to-day management of the portfolio:

William Chepolis, CFA
Managing Director of Deutsche Asset Management and Co-Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 after 13 years of experience as vice president and portfolio manager for Norwest Bank, where he managed the bank's fixed income and foreign exchange portfolios.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- Joined the portfolio in 2002.
- BIS, University of Minnesota.

Matthew F. MacDonald
Director of Deutsche Asset Management and Co-Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2006 after 14 years of fixed income experience at Bank of America Global Structured Products and PPM America, Inc., where he was portfolio manager for public fixed income, including MBS, ABS, CDOs and corporate bonds; earlier, as an analyst for MBS, ABS and money markets; and originally, at Duff & Phelps Credit Rating Company.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- BA, Harvard University; MBA, University of Chicago Graduate School of Business.

Please Retain This Supplement for Future Reference

July 7, 2006
VS2-3611

Supplement Dated August 18, 2006
To
Prospectus Dated May 1, 2006
For
Scudder Destinations^{SM} Annuity
Issued By
Kemper Investors Life Insurance Company

In September 2003, Kemper Investors Life Insurance Company ("KILICO") entered into a coinsurance agreement with Federal Kemper Life Assurance Company, now known as Chase Insurance Life and Annuity Company ("Chase Insurance"), under which Chase Insurance administered and reinsured certain KILICO variable annuity contracts that are funded through the Separate Account (the "Reinsured Contracts"). The Reinsured Contracts do not include your Scudder Destinations annuity contract.

Earlier this year, Protective Life Corporation announced that its principal subsidiary, Protective Life Insurance Company ("Protective Life"), had signed a definitive agreement to acquire Chase Insurance. Protective Life acquired Chase Insurance on July 3, 2006. In light of this development, this Supplement amends the following disclosure in your Prospectus.

The third paragraph of the section "**KILICO, THE MVA OPTION, THE SEPARATE ACCOUNT AND THE FUNDS, Kemper Investors Life Insurance Company**" is replaced in its entirety with the following paragraph:

"On July 3, 2006, Protective Life Insurance Company ("Protective Life") acquired Chase Insurance. Protective Life also acquired Investors Brokerage Services, Inc. ("IBS"), the principal underwriter for the Contracts. Protective Life reinsured 100% of the variable annuity business of Chase Insurance, including certain registered variable annuity contracts that are funded through the Separate Account, to Allmerica Financial Life Insurance and Annuity Company, a subsidiary of The Goldman Sachs Group, Inc. The acquisition and reinsurance do not relate directly to the Contracts. The benefits and provisions of the Contracts were not changed by these transactions and agreements."

Supplement Dated August 18, 2006
To
Prospectus Dated May 1, 2005
For
Farmers Variable Annuity I
Issued By
Kemper Investors Life Insurance Company

In September 2003, Kemper Investors Life Insurance Company ("KILICO") entered into a coinsurance agreement with Federal Kemper Life Assurance Company, now known as Chase Insurance Life and Annuity Company ("Chase Insurance"), under which Chase

Insurance administered and reinsured certain KILICO variable annuity contracts that are funded through the Separate Account (the "Reinsured Contracts"). The Reinsured Contracts do not include your Farmers Variable Annuity I contract.

Earlier this year, Protective Life Corporation announced that its principal subsidiary, Protective Life Insurance Company ("Protective Life"), had signed a definitive agreement to acquire Chase Insurance. Protective Life acquired Chase Insurance on July 3, 2006. In light of this development, this Supplement amends the following disclosure in your Prospectus.

The following new paragraph is added as the third paragraph of the section "**KILICO, THE MVA OPTION, THE SEPARATE ACCOUNT AND THE FUNDS, Kemper Investors Life Insurance Company**":

"On July 3, 2006, Protective Life Insurance Company ("Protective Life") acquired Chase Insurance Life and Annuity Company (formerly known as Federal Kemper Life Assurance Company) ("Chase Insurance"). Protective Life also acquired Investors Brokerage Services, Inc. ("IBS"), the principal underwriter for the Contracts. Protective Life reinsured 100% of the variable annuity business of Chase Insurance, including certain registered variable annuity contracts that are funded through the Separate Account, to Allmerica Financial Life Insurance and Annuity Company, a subsidiary of The Goldman Sachs Group, Inc. The acquisition and reinsurance do not relate directly to the Contracts. The benefits and provisions of the Contracts were not changed by these transactions and agreements."

Supplement Dated August 18, 2006
To
Statement of Additional Information Dated May 1, 2006
For
Scudder Destinations℠ Annuity
And
Farmers Variable Annuity I
Issued By
Kemper Investors Life Insurance Company
And
KILICO Variable Annuity Separate Account

The second and third paragraphs of the section "**SERVICES TO THE SEPARATE ACCOUNT, Recordkeepers and Independent Public Accountants for the KILICO Variable Annuity Separate Account**" are replaced in their entirety with the following paragraphs:

"On July 3, 2006, Protective Life Insurance Company ("Protective Life") acquired Chase Insurance. Protective Life also acquired Investors Brokerage Services, Inc. (“IBS”), the principal underwriter for the Contracts. Protective Life reinsured 100% of the variable annuity business of Chase Insurance, including certain registered variable annuity contracts that are funded through the Separate Account, to Allmerica Financial Life Insurance and Annuity Company, a subsidiary of The Goldman Sachs Group, Inc.

These acquisitions, transfers, coinsurance and reinsurance arrangements do not relate directly to the Contracts, although certain of the contracts administered by Chase Insurance and/or Protective Life are supported by the Separate Account. The benefits and provisions of the Contracts were not changed by these transactions and agreements.”

The last sentence of the first paragraph in the section **“SERVICES TO THE SEPARATE ACCOUNT, Distribution of the Contracts”** is replaced in its entirety with the following sentence:

“On July 3, 2006, Protective Life acquired Chase Insurance and IBS (see discussion above).”

AIM V.I. Utilities Fund

Semiannual Report to Shareholders • June 30, 2006

AIM V.I. UTILITIES FUND seeks capital growth. It also seeks income.

Unless otherwise stated, information presented in this report is as of June 30, 2006, and is based on total net assets.

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC Web site, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202-942-8090 or 800-732-0330, or by electronic request at the following E-mail address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800-410-4246 or on the AIM Web site, AIMinvestments.com. On the home page, scroll down and click on AIM Funds Proxy Policy. The information is also available on the SEC Web site, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2006, is available at our Web site. Go to AIMinvestments.com, access the About Us tab, click on Required Notices and then click on Proxy Voting Activity. Next, select the Fund from the drop-down menu. The information is also available on the SEC Web site, sec.gov.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Management's discussion of Fund performance

Performance summary

An investor preference for dividend-paying equities boosted the performance of utilities stocks, helping the Fund post positive returns for the six-month period ended June 30, 2006. Excluding variable product issuer charges, the Fund outperformed the S&P 500 Index due to strong stock selection particularly in electric utilities and diversified telecommunication services. In addition, investors favored utilities stocks because of their generally more defensive character and their tendency to pay dividends.

Your Fund's long-term performance appears on page 4.

FUND VS. INDEXES

Cumulative total returns 12/31/05–6/30/06, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	7.68%
Series II Shares	7.60
Standard & Poor's Composite Index of 500 Stocks (S&P 500 Index) (Broad-market index)	2.71
Lipper Utility Fund Index (Peer Group Index)	7.62

Source: Lipper Inc.

How we invest

We invest primarily in natural gas, electricity and telecommunication services companies, selecting stocks based on our quantitative and fundamental analysis of individual companies. Our quantitative analysis focuses on positive cash flows and predictable earnings. Our fundamental analysis seeks strong balance sheets, competent management and sustainable dividends and distributions.

We look for companies that could potentially benefit from industry trends, such as increased demand for certain products and deregulation of state markets, and that are attractively valued relative to the rest of the market. We also monitor and may adjust industry and position weights according to prevailing economic trends such as gross domestic product (GDP) growth and interest rate changes.

We control risk by:

■ Diversifying across most industries and sub-industries within the utilities sector.

■ Owning both regulated and unregulated utilities—unregulated companies provide greater growth potential, while regulated firms provide more stable dividends and principal.

■ Generally avoiding excessive concentration of assets in a small number of stocks.

■ Maintaining a reasonable cash position to avoid having to sell stocks during market downturns.

We may sell a stock for any of the following reasons:

■ Earnings growth is threatened by deterioration in the firm's fundamentals or change in the operating environment

■ Valuation becomes too high

■ Corporate strategy changes

Market conditions and your Fund

After performing strongly during the first four months of 2006, the U.S. stock market retreated over the last two months of the reporting period, largely due to concerns about persistently high energy prices and rising interest rates—and the potential impact of both on economic growth and inflation. During the reporting period, the U.S. Federal Reserve Board (the Fed) continued its tightening policy, raising the key federal funds target rate to 5.25%.

Against this backdrop, energy and telecommunication services were the best-performing sectors of the S&P 500 Index. Although utilities stocks posted positive returns, it was one of the weaker performing sectors of the broad market. Utilities stocks tend to be sensitive to interest rate movements because they generally pay dividends and are particularly attractive

PORTFOLIO COMPOSITION

By industry

Electric Utilities	29.4%
Multi-Utilities	23.9
Independent Power Producers & Energy Traders	12.8
Gas Utilities	10.9
Integrated Telecommunication Services	10.4
Oil & Gas Storage & Transportation	9.7
Water Utilities	2.0
Money Market Funds Plus Other Assets Less Liabilities	0.9

TOTAL NET ASSETS	$110.9 million
TOTAL NUMBER OF HOLDINGS*	35

TOP 10 EQUITY HOLDINGS*

1.	TXU Corp.	5.7%
2.	Questar Corp.	5.4
3.	Kinder Morgan, Inc.	5.1
4.	Exelon Corp.	5.0
5.	Williams Cos., Inc. (The)	4.5
6.	NRG Energy, Inc.	4.2
7.	Verizon Communications Inc.	4.1
8.	AT&T Inc.	4.1
9.	Sempra Energy	4.0
10.	Edison International	3.9

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.
*Excluding money market fund holdings.

when interest rates are low. As the Fed continued its tight monetary policy, it hurt the performance of utilities stocks.

For the reporting period, our holdings in electric utilities and diversified telecommunication services companies had the most positive impact on Fund performance. Rising energy prices had relatively little negative effect on utilities, particularly those that were relatively deregulated and had the ability to pass on fuel costs to their customers. Indeed, companies with this ability were among the better performing stocks for the Fund. One of these stocks was **TXU Corporation**, a Texas-based power company and the Fund's top holding. TXU has made an impressive turnaround through restructuring, going from unprofitable early in 2004 to profitable in 2005. TXU benefited from the deregulation of the electric industry in Texas, which enabled it to increase its customer base.

During the period, the 15% tax rate for qualified dividends, which has made utilities stocks attractive to investors, was extended

A number of the Fund's diversified telecommunications holdings performed well during the period; **BellSouth** in particular was a notable contributor. The company provides phone and data services in nine southeastern states, and it services about 22 million residential and business phone lines. Recently, the company returned cash to shareholders through dividends and an aggressive share repurchase program. The firm recently announced it had already completed $600 million of its $2 billion share repurchase plan. In addition, the company agreed to be bought by AT&T for $67 billion in stock.

Detracting from Fund performance was **Aqua America**, a holding company for regulated utilities providing water or wastewater services primarily in the U.S. Shares of the stock declined after the company reported lower financial results. We still own the stock as we believe the company is making progress and acquiring new water systems.

Dominion Resources also underperformed during the period. In November, the company reported operating earnings per share below guidance and analyst expectations. While not directly affecting its utility operations, hurricanes Katrina and Rita damaged the company's exploration and production downstream processing facilities. As company management noted in a recent earnings conference call, the issue is a timing concern, as earnings lost in 2005 have the potential to be offset in 2006 when business interruption insurance proceeds could be received.

In closing

During the reporting period, the 15% tax rate for qualified dividends, which has made utilities stocks attractive to investors, was extended. However, we remained modestly concerned about interest rate and inflationary trends. We continued to maintain our focus on holding the favorably priced stocks of strong companies with reasonable growth prospects and attractive dividend yields.

We thank you for your continued investment in AIM V.I. Utilities Fund.

The views and opinions expressed in management's discussion of Fund performance are those of A I M Advisors, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but A I M Advisors, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

John S. Segner, portfolio manager, is lead manager of AIM V.I. Utilities Fund. Mr. Segner has more than 20 years of experience in the energy and investment industries. Before joining the Fund's advisor in 1997, he was managing director and principal with an investment management company that focused exclusively on publicly-traded energy stocks. Prior to that, he held positions with several energy companies. Mr. Segner earned a B.S. in civil engineering from the University of Alabama and an M.B.A. with a concentration in finance from The University of Texas at Austin.

Assisted by the Energy/Gold/Utilities Team

For a discussion of the risks of investing in your Fund, indexes used in this report and your Fund's long-term performance, please turn to page 4.

Your Fund's long-term performance

AVERAGE ANNUAL TOTAL RETURNS

As of 6/30/06

Series I Shares	
Inception (12/30/94)	7.71%
10 Years	7.12
5 Years	3.32
1 Year	13.98

Series II Shares	
10 Years	6.85%
5 Years	3.07
1 Year	13.66

Series II shares' inception date is April 30, 2004. Returns since that date are historical. All other returns are the blended returns of the historical performance of Series II shares since their inception and the restated historical performance of Series I shares (for periods prior to inception of Series II shares) adjusted to reflect the Rule 12b-1 fees applicable to Series II shares. The inception date of Series I shares is December 30, 1994. The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial advisor for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

AIM V.I. Utilities Fund, a series portfolio of AIM Variable Insurance Funds, is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

Per NASD requirements, the most recent month-end performance data at the Fund level, excluding variable product charges, is available on this AIM automated information line, 866-702-4402. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial advisor.

Principal risks of investing in the Fund

Investing in a single-sector or single-region mutual fund involves greater risk and potential reward than investing in a more diversified fund.

The Fund may invest up to 25% of its assets in the securities of non-U.S. issuers. Securities of Canadian issuers and American Depositary Receipts are not subject to this 25% limitation. International investing presents risks not associated with investing solely in the United States. These include risks relating to the fluctuation in the value of the U.S. dollar relative to the values of the currencies, the custody arrangements made for the Fund's foreign holdings, differences in accounting, political risks and the lesser degree of public information required to be provided by non-U.S. companies.

Investing in smaller companies involves greater risk than investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

By concentrating on a small number of holdings, the Fund carries greater risk because each investment has a greater effect on the Fund's overall performance.

About indexes used in this report

The unmanaged **Standard & Poor's Composite Index of 500 Stocks** (the S&P 500® Index) is an index of common stocks frequently used as a general measure of U.S. stock market performance.

The unmanaged **Lipper Utility Fund Index** represents an average of the 30 largest utility funds tracked by Lipper Inc., an independent mutual fund performance monitor.

The Fund is not managed to track the performance of any particular index, including the indexes defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the indexes.

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of an index of funds reflects fund expenses; performance of a market index does not.

Other information

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Industry classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. and Standard & Poor's.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2006, through June 30, 2006.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The Fund's actual cumulative total returns at net asset value after expenses for the six months ended June 30, 2006, appear in the table "Fund vs. Indexes" on page 2.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Share Class	Beginning Account Value (1/1/06)	Ending Account Value (6/30/06)[1]	Expenses Paid During Period[2]	Ending Account Value (6/30/06)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,076.80	$4.79	$1,020.18	$4.66	0.93%
Series II	1,000.00	1,076.00	6.07	1,018.94	5.91	1.18

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2006, through June 30, 2006, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses. The Fund's actual cumulative total returns at net asset value after expenses for the six months ended June 30, 2006, appear in the table "Fund vs. Indexes" on page 2.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 181/365 to reflect the most recent fiscal half year.

Approval of Investment Advisory Agreement

The Board of Trustees of AIM Variable Insurance Funds (the "Board") oversees the management of AIM V.I. Utilities Fund (the "Fund") and, as required by law, determines annually whether to approve the continuance of the Fund's advisory agreement with A I M Advisors, Inc. ("AIM"). Based upon the recommendation of the Investments Committee of the Board, at a meeting held on June 27, 2006, the Board, including all of the independent trustees, approved the continuance of the advisory agreement (the "Advisory Agreement") between the Fund and AIM for another year, effective July 1, 2006.

The Board considered the factors discussed below in evaluating the fairness and reasonableness of the Advisory Agreement at the meeting on June 27, 2006 and as part of the Board's ongoing oversight of the Fund. In their deliberations, the Board and the independent trustees did not identify any particular factor that was controlling, and each trustee attributed different weights to the various factors.

One responsibility of the independent Senior Officer of the Fund is to manage the process by which the Fund's proposed management fees are negotiated to ensure that they are negotiated in a manner which is at arms' length and reasonable. To that end, the Senior Officer must either supervise a competitive bidding process or prepare an independent written evaluation. The Senior Officer has recommended an independent written evaluation in lieu of a competitive bidding process and, upon the direction of the Board, has prepared such an independent written evaluation. Such written evaluation also considered certain of the factors discussed below. In addition, as discussed below, the Senior Officer made a recommendation to the Board in connection with such written evaluation.

The discussion below serves as a summary of the Senior Officer's independent written evaluation and recommendation to the Board in connection therewith, as well as a discussion of the material factors and the conclusions with respect thereto that formed the basis for the Board's approval of the Advisory Agreement. After consideration of all of the factors below and based on its informed business judgment, the Board determined that the Advisory Agreement is in the best interests of the Fund and its shareholders and that the compensation to AIM under the Advisory Agreement is fair and reasonable and would have been obtained through arm's length negotiations.

Unless otherwise stated, information presented below is as of June 27, 2006 and does not reflect any changes that may have occurred since June 27, 2006, including but not limited to changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

- The nature and extent of the advisory services to be provided by AIM. The Board reviewed the services to be provided by AIM under the Advisory Agreement. Based on such review, the Board concluded that the range of services to be provided by AIM under the Advisory Agreement was appropriate and that AIM currently is providing services in accordance with the terms of the Advisory Agreement.
- The quality of services to be provided by AIM. The Board reviewed the credentials and experience of the officers and employees of AIM who will provide investment advisory services to the Fund. In reviewing the qualifications of AIM to provide investment advisory services, the Board considered such issues as AIM's portfolio and product review process, various back office support functions provided by AIM and AIM's equity and fixed income trading operations. Based on the review of these and other factors, the Board concluded that the quality of services to be provided by AIM was appropriate and that AIM currently is providing satisfactory services in accordance with the terms of the Advisory Agreement.
- The performance of the Fund relative to comparable funds. The Board reviewed the performance of the Fund during the past one, three and five calendar years against the performance of funds advised by other advisors with investment strategies comparable to those of the Fund. The Board noted that the Fund's performance was above the median performance of such comparable funds for the one year period and below such median performance for the three and five year periods. The Board also noted that AIM began serving as investment advisor to the Fund in April 2004. Based on this review and after taking account of all of the other factors that the Board considered in determining whether to continue the Advisory Agreement for the Fund, the Board concluded that no changes should be made to the Fund and that it was not necessary to change the Fund's portfolio management team at this time. Although the independent written evaluation of the Fund's Senior Officer (discussed below) only considered Fund performance through the most recent calendar year, the Board also reviewed more recent Fund performance, which did not change their conclusions.
- The performance of the Fund relative to indices. The Board reviewed the performance of the Fund during the past one, three and five calendar years against the performance of the Lipper Variable Underlying Fund Utility Index. The Board noted that the Fund's performance was above the performance of such Index for the one year period, comparable to such Index for the three year period, and below such Index for the five year period. The Board also noted that AIM began serving as investment advisor to the Fund in April 2004. Based on this review and after taking account of all of the other factors that the Board considered in determining whether to continue the Advisory Agreement for the Fund, the Board concluded that no changes should be made to the Fund and that it was not necessary to change the Fund's portfolio management team at this time. Although the independent written evaluation of the Fund's Senior Officer (discussed below) only considered Fund performance through the most recent calendar year, the Board also reviewed more recent Fund performance, which did not change their conclusions.
- Meetings with the Fund's portfolio managers and investment personnel. With respect to the Fund, the Board is meeting periodically with such Fund's portfolio managers and/or other investment personnel and believes that such individuals are competent and able to continue to carry out their responsibilities under the Advisory Agreement.
- Overall performance of AIM. The Board considered the overall performance of AIM in providing investment advisory and portfolio administrative services to the Fund and concluded that such performance was satisfactory.
- Fees relative to those of clients of AIM with comparable investment strategies. The Board reviewed the effective advisory fee rate (before waivers) for the Fund under the Advisory Agreement. The Board noted that this rate was below the effective advisory fee rate (before waivers) for one mutual fund advised by AIM with investment strategies comparable to those of the Fund. The Board noted that AIM has agreed to limit the Fund's total operating expenses, as discussed below. Based on this review, the Board concluded that the advisory fee rate for the Fund under the Advisory Agreement was fair and reasonable.
- Fees relative to those of comparable funds with other advisors. The Board reviewed the advisory fee rate for the Fund under the Advisory Agreement. The Board compared effective contractual advisory fee rates at a common asset level at the end of the past calendar year and noted that the Fund's rate was below the median rate of the funds advised by other advisors with investment strategies comparable to those of the Fund that the Board reviewed. The Board noted that AIM has agreed to limit the Fund's total operating expenses, as discussed below. Based on this review, the Board concluded that the advisory fee rate for the Fund under the Advisory Agreement was fair and reasonable.

(continued)

■ Expense limitations and fee waivers. The Board noted that AIM has contractually agreed to waive fees and/or limit expenses of the Fund through April 30, 2008 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund. The Board considered the contractual nature of this fee waiver/expense limitation and noted that it remains in effect until April 30, 2008. The Board considered the effect this fee waiver/expense limitation would have on the Fund's estimated expenses and concluded that the levels of fee waivers/expense limitations for the Fund were fair and reasonable.

■ Breakpoints and economies of scale. The Board reviewed the structure of the Fund's advisory fee under the Advisory Agreement, noting that it does not include any breakpoints. The Board considered whether it would be appropriate to add advisory fee breakpoints for the Fund or whether, due to the nature of the Fund and the advisory fee structures of comparable funds, it was reasonable to structure the advisory fee without breakpoints. Based on this review, the Board concluded that it was not necessary to add advisory fee breakpoints to the Fund's advisory fee schedule. The Board reviewed the level of the Fund's advisory fees, and noted that such fees, as a percentage of the Fund's net assets, would remain constant under the Advisory Agreement because the Advisory Agreement does not include any breakpoints. The Board concluded that the Fund's fee levels under the Advisory Agreement therefore would not reflect economies of scale, although the advisory fee waiver reflects economies of scale.

■ Investments in affiliated money market funds. The Board also took into account the fact that uninvested cash and cash collateral from securities lending arrangements, if any (collectively, "cash balances") of the Fund may be invested in money market funds advised by AIM pursuant to the terms of an SEC exemptive order. The Board found that the Fund may realize certain benefits upon investing cash balances in AIM advised money market funds, including a higher net return, increased liquidity, increased diversification or decreased transaction costs. The Board also found that the Fund will not receive reduced services if it invests its cash balances in such money market funds. The Board noted that, to the extent the Fund invests uninvested cash in affiliated money market funds, AIM has voluntarily agreed to waive a portion of the advisory fees it receives from the Fund attributable to such investment. The Board further determined that the proposed securities lending program and related procedures with respect to the lending Fund is in the best interests of the lending Fund and its respective shareholders. The Board therefore concluded that the investment of cash collateral received in connection with the securities lending program in the money market funds according to the procedures is in the best interests of the lending Fund and its respective shareholders.

■ Independent written evaluation and recommendations of the Fund's Senior Officer. The Board noted that, upon their direction, the Senior Officer of the Fund, who is independent of AIM and AIM's affiliates, had prepared an independent written evaluation in order to assist the Board in determining the reasonableness of the proposed management fees of the AIM Funds, including the Fund. The Board noted that the Senior Officer's written evaluation had been relied upon by the Board in this regard in lieu of a competitive bidding process. In determining whether to continue the Advisory Agreement for the Fund, the Board considered the Senior Officer's written evaluation.

■ Profitability of AIM and its affiliates. The Board reviewed information concerning the profitability of AIM's (and its affiliates') investment advisory and other activities and its financial condition. The Board considered the overall profitability of AIM, as well as the profitability of AIM in connection with managing the Fund. The Board noted that AIM's operations remain profitable, although increased expenses in recent years have reduced AIM's profitability. Based on the review of the profitability of AIM's and its affiliates' investment advisory and other activities and its financial condition, the Board concluded that the compensation to be paid by the Fund to AIM under its Advisory Agreement was not excessive.

■ Benefits of soft dollars to AIM. The Board considered the benefits realized by AIM as a result of brokerage transactions executed through "soft dollar" arrangements. Under these arrangements, brokerage commissions paid by the Fund and/or other funds advised by AIM are used to pay for research and execution services. This research may be used by AIM in making investment decisions for the Fund. The Board concluded that such arrangements were appropriate.

■ AIM's financial soundness in light of the Fund's needs. The Board considered whether AIM is financially sound and has the resources necessary to perform its obligations under the Advisory Agreement, and concluded that AIM has the financial resources necessary to fulfill its obligations under the Advisory Agreement.

■ Historical relationship between the Fund and AIM. In determining whether to continue the Advisory Agreement for the Fund, the Board also considered the prior relationship between AIM and the Fund, as well as the Board's knowledge of AIM's operations, and concluded that it was beneficial to maintain the current relationship, in part, because of such knowledge. The Board also reviewed the general nature of the non-investment advisory services currently performed by AIM and its affiliates, such as administrative, transfer agency and distribution services, and the fees received by AIM and its affiliates for performing such services. In addition to reviewing such services, the trustees also considered the organizational structure employed by AIM and its affiliates to provide those services. Based on the review of these and other factors, the Board concluded that AIM and its affiliates were qualified to continue to provide non-investment advisory services to the Fund, including administrative, transfer agency and distribution services, and that AIM and its affiliates currently are providing satisfactory non-investment advisory services.

■ Other factors and current trends. The Board considered the steps that AIM and its affiliates have taken over the last several years, and continue to take, in order to improve the quality and efficiency of the services they provide to the Funds in the areas of investment performance, product line diversification, distribution, fund operations, shareholder services and compliance. The Board concluded that these steps taken by AIM have improved, and are likely to continue to improve, the quality and efficiency of the services AIM and its affiliates provide to the Fund in each of these areas, and support the Board's approval of the continuance of the Advisory Agreement for the Fund.

Schedule of Investments

June 30, 2006
(Unaudited)

	Shares	Value
Common Stocks–99.14%		
Electric Utilities–29.45%		
E.ON A.G. (Germany)	25,000	$ 2,878,952
Edison International	110,000	4,290,000
Endesa, S.A. (Spain)[a]	38,000	1,321,735
Enel S.p.A. (Italy)[a]	198,000	1,704,849
Entergy Corp.	47,000	3,325,250
Exelon Corp.	98,000	5,569,340
FirstEnergy Corp.	67,000	3,632,070
FPL Group, Inc.	77,000	3,186,260
PPL Corp.	102,000	3,294,600
Southern Co. (The)	75,000	2,403,750
Westar Energy, Inc.	50,000	1,052,500
		32,659,306
Gas Utilities–10.85%		
AGL Resources Inc.	67,000	2,554,040
Equitable Resources, Inc.	80,000	2,680,000
Peoples Energy Corp.	21,000	754,110
Questar Corp.	75,000	6,036,750
		12,024,900
Independent Power Producers & Energy Traders–12.78%		
Constellation Energy Group	60,000	3,271,200
NRG Energy, Inc.[b]	96,000	4,625,280
TXU Corp.	105,000	6,277,950
		14,174,430
Integrated Telecommunication Services–10.46%		
Alaska Communications Systems Group Inc.	200,000	2,530,000
AT&T Inc.	162,000	4,518,180
Verizon Communications Inc.	136,000	4,554,640
		11,602,820
Multi-Utilities–23.91%		
Ameren Corp.	45,000	$ 2,272,500
Dominion Resources, Inc.	32,000	2,393,280
Duke Energy Corp.	142,000	4,170,540
KeySpan Corp.	26,000	1,050,400
National Grid PLC (United Kingdom)[a]	118,000	1,275,480
OGE Energy Corp.	30,000	1,050,900
PG&E Corp.	107,000	4,202,960
PNM Resources Inc.	42,000	1,048,320
SCANA Corp.	28,000	1,080,240
Sempra Energy	98,000	4,457,040
Veolia Environnement (France)	68,000	3,515,226
		26,516,886
Oil & Gas Storage & Transportation–9.67%		
Kinder Morgan, Inc.	57,000	$ 5,693,730
Williams Cos., Inc. (The)	215,000	5,022,400
		10,716,130
Water Utilities–2.02%		
Aqua America Inc.	98,000	2,233,420
Total Common Stocks (Cost $84,656,811)		109,927,892
Money Market Funds–0.76%		
Liquid Assets Portfolio–Institutional Class[c]	423,048	423,048
Premier Portfolio–Institutional Class[c]	423,048	423,048
Total Money Market Funds (Cost $846,096)		846,096
TOTAL INVESTMENTS–99.90% (Cost $85,502,907)		110,773,988
OTHER ASSETS LESS LIABILITIES–0.10%		109,695
NET ASSETS–100.00%		$110,883,683

Notes to Schedule of Investments:

[a] In accordance with the procedures established by the Board of Trustees, the foreign security is fair valued using adjusted closing market prices. The aggregate value of these securities at June 30, 2006 was $4,302,064, which represented 3.88% of the Fund's Net Assets. See Note 1A.

[b] Non-income producing security.

[c] The money market fund and the Fund are affiliated by having the same investment advisor. See Note 3.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

June 30, 2006
(Unaudited)

Assets:	
Investments, at value (cost $84,656,811)	$109,927,892
Investments in affiliated money market funds (cost $846,096)	846,096
Total investments (cost $85,502,907)	110,773,988
Foreign currencies, at value (cost $93,761)	94,731
Receivables for:	
Investments sold	296,669
Fund shares sold	43,156
Dividends	385,119
Investment for trustee deferred compensation and retirement plans	47,400
Other assets	2,822
Total assets	111,643,885
Liabilities:	
Payables for:	
Investments purchased	309,374
Fund shares reacquired	242,334
Trustee deferred compensation and retirement plans	53,030
Accrued administrative services fees	111,895
Accrued distribution fees–Series II	932
Accrued trustees' and officer's fees and benefits	397
Accrued transfer agent fees	1,581
Accrued operating expenses	40,659
Total liabilities	760,202
Net assets applicable to shares outstanding	$110,883,683
Net assets consist of:	
Shares of beneficial interest	$ 76,269,655
Undistributed net investment income	5,867,799
Undistributed net realized gain from investment securities and foreign currencies	3,473,375
Unrealized appreciation of investment securities and foreign currencies	25,272,854
	$110,883,683
Net Assets:	
Series I	$109,238,208
Series II	$ 1,645,475
Shares outstanding, $0.001 par value per share, unlimited number of shares authorized:	
Series I	5,689,619
Series II	86,114
Series I:	
Net asset value per share	$ 19.20
Series II:	
Net asset value per share	$ 19.11

Statement of Operations

For the six months ended June 30, 2006
(Unaudited)

Investment income:	
Dividends (net of foreign withholding tax of $65,514)	$2,000,050
Dividends from affiliated money market funds	49,754
Total investment income	2,049,804
Expenses:	
Advisory fees	334,134
Administrative services fees	148,288
Custodian fees	9,074
Distribution fees–Series II	1,571
Transfer agent fees	8,908
Trustees' and officer's fees and benefits	8,920
Other	32,786
Total expenses	543,681
Less: Fees waived	(24,119)
Net expenses	519,562
Net investment income	1,530,242
Realized and unrealized gain (loss) from investment securities and foreign currencies	
Net realized (loss) from:	
Investment securities	5,022,295
Foreign currencies	(9,570)
	5,012,725
Change in net unrealized appreciation of:	
Investment securities	1,791,872
Foreign currencies	5,489
	1,797,361
Net gain from investment securities and foreign currencies	6,810,086
Net increase in net assets resulting from operations	$8,340,328

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the six months ended June 30, 2006 and the year ended December 31, 2005
(Unaudited)

	June 30, 2006	December 31, 2005
Operations:		
Net investment income	$ 1,530,242	$ 4,326,573
Net realized gain from investment securities and foreign currencies	5,012,725	33,099,707
Change in net unrealized appreciation (depreciation) of investment securities and foreign currencies	1,797,361	(3,902,530)
Net increase in net assets resulting from operations	8,340,328	33,523,750
Distributions to shareholders from net investment income:		
Series I	—	(2,617,447)
Series II	—	(17,260)
Decrease in net assets resulting from distributions	—	(2,634,707)
Share transactions–net:		
Series I	(13,113,487)	(76,258,358)
Series II	752,250	118,284
Net increase (decrease) in net assets resulting from share transactions	(12,361,237)	(76,140,074)
Net increase (decrease) in net assets	(4,020,909)	(45,251,031)
Net assets:		
Beginning of period	114,904,592	160,155,623
End of period (including undistributed net investment income of $5,867,799 and $4,337,557, respectively)	$110,883,683	$114,904,592

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Notes to Financial Statements

June 30, 2006
(Unaudited)

NOTE 1—Significant Accounting Policies

AIM V.I. Utilities Fund (the ''Fund'') is a series portfolio of AIM Variable Insurance Funds (the ''Trust''). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the ''1940 Act''), as an open-end series management investment company consisting of twenty-five separate portfolios. The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies (''variable products''). Matters affecting each portfolio or class will be voted on exclusively by the shareholders of such portfolio or class. Current Securities and Exchange Commission (''SEC'') guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each portfolio or class. The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund.

The Fund's investment objective is to seek capital growth and current income.

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates. The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales on a particular day, the security is valued at the closing bid price on that day. Securities traded in the over-the-counter market (but not securities reported on the NASDAQ National Market System) are valued based on the prices furnished by independent pricing services, in which case the securities may be considered fair valued, or by market makers. Each security reported on the NASDAQ National Market System is valued at the NASDAQ Official Closing Price (''NOCP'') as of the close of the customary trading session on the valuation date or absent a NOCP, at the closing bid price.

Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and the ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange (''NYSE'').

Investments in open-end registered investment companies and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in closed-end registered investment companies that trade on an exchange are valued at the last sales price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Short-term obligations having 60 days or less to maturity and commercial paper are recorded at amortized cost which approximates value.

Securities for which market prices are not provided by any of the above methods are valued based upon quotes furnished by independent sources and are valued at the last bid price in the case of equity securities and in the case of debt obligations, the mean between the last bid and asked prices.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. Generally, trading in foreign securities is substantially completed each day at various times prior to the close of the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are determined as of the close of the respective markets. Events affecting the values of such foreign securities may occur between the times at which the particular foreign market closes and the close of the customary trading session of the NYSE which would not ordinarily be reflected in the computation of the Fund's net asset value. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, ADRs and domestic and foreign index futures.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income is recorded on the ex-dividend date. Bond premiums and discounts are amortized and/or accreted for financial reporting purposes.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the realized and unrealized net gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the advisor.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, AIM may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be United States of America unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and, as such, will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) which is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (i) sales of foreign currencies, (ii) currency gains or losses realized between the trade and settlement dates on securities transactions, and (iii) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

H. Foreign Currency Contracts — A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund may enter into a foreign currency contract to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. The Fund may also enter into a foreign currency contract for the purchase or sale of a security denominated in a foreign currency in order to ''lock in'' the U.S. dollar price of that security. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations. The Fund could be exposed to risk if counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with A I M Advisors, Inc. (''AIM''). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to AIM at the annual rate of 0.60% of the Fund's average daily net assets.

AIM has contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual operating expenses (excluding certain items discussed below) of Series I shares to 0.93% and Series II shares to 1.18% of average daily net assets, through April 30, 2008. In determining the advisor's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the net annual operating expenses to exceed the numbers reflected above: (i) interest; (ii) taxes; (iii) dividend expense on short sales; (iv) extraordinary items; (v) expenses related to a merger or reorganization, as approved by the Fund's Board of Trustees; and (vi) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Currently, in addition to the expense reimbursement arrangement with AMVESCAP PLC (''AMVESCAP'') described more fully below, the only expense offset arrangements from which the Fund may benefit are in the form of credits that the Fund receives from banks where the Fund or its transfer agent has deposit accounts in which it holds uninvested cash. Those credits are used to pay certain expenses incurred by the Fund. To the extent that the annualized expense ratio does not exceed the expense limitation, AIM will retain its ability to be reimbursed for such fee waivers or reimbursements prior to the end of each fiscal year.

Further, AIM has voluntarily agreed to waive advisory fees of the Fund in the amount of 25% of the advisory fee AIM receives from the affiliated money market funds on investments by the Fund in such affiliated money market funds. AIM is also voluntarily waiving a portion of the advisory fee payable by the Fund equal to the difference between the income earned from investing in the affiliated money market fund and the hypothetical income earned from investing in an appropriate comparative benchmark. Voluntary fee waivers or reimbursements may be modified or discontinued at any time upon consultation with the Board of Trustees without further notice to investors.

For the six months ended June 30, 2006, AIM waived fees of $24,119.

At the request of the Trustees of the Trust, AMVESCAP agreed to reimburse expenses incurred by the Fund in connection with market timing matters in the AIM Funds, which may include legal, audit, shareholder reporting, communications and trustee expenses. For the six months ended June 30, 2006, AMVESCAP did not reimburse any expenses.

The Fund, pursuant to a master administrative services agreement with AIM, has agreed to pay AIM a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse AIM for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2006, AIM was paid $24,794 for accounting and fund administrative services and reimbursed $123,494 for services provided by insurance companies.

The Fund, pursuant to a transfer agency and service agreement, has agreed to pay AIM Investment Services, Inc. (''AIS'') a fee for providing transfer agency and shareholder services to the Fund and reimburse AIS for certain expenses incurred by AIS in the course of providing such services. For the six months ended June 30, 2006, the Fund paid AIS $8,908.

The Trust has entered into a master distribution agreement with AIM Distributors, Inc. (''ADI'') to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the ''Plan''). The Fund, pursuant to the Plan, pays ADI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Rule 12b-1 payment, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. Pursuant to the Plan, for the six months ended June 30, 2006, the Series II shares paid $1,571.

Certain officers and trustees of the Trust are officers and directors of AIM, AIS and/or ADI.

NOTE 3—Investments in Affiliates

The Fund is permitted, pursuant to an exemptive order from the SEC and approved procedures by the Board of Trustees, to invest daily available cash balances in an affiliated money market funds. The Fund and the money market funds below have the same investment advisor and therefore, are considered to be affiliated. The table below shows the transactions in and earnings from investments in affiliated money market funds for the six months ended June 30, 2006.

Fund	Value 12/31/05	Purchases at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Value 06/30/06	Dividend Income	Realized Gain (Loss)
Liquid Assets Portfolio–Institutional Class	$ —	$ 647,698	$ (224,650)	$—	$423,048	$ 215	$—
Premier Portfolio–Institutional Class	5,216,837	19,325,812	(24,119,601)	—	423,048	49,539	—
Total	$5,216,837	$19,973,510	$(24,344,251)	$—	$846,096	$49,754	$—

NOTE 4—Trustees' and Officer's Fees and Benefits

''Trustees' and Officer's Fees and Benefits'' include amounts accrued by the Fund to pay remuneration to each Trustee and Officer of the Fund who is not an ''interested person'' of AIM. Trustees have the option to defer compensation payable by the Fund, and ''Trustees' and Officer's Fees and Benefits'' also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various AIM Funds in which their deferral accounts shall be deemed to be invested. Finally, current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. ''Trustees' and Officer's Fees and Benefits'' include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the six months ended June 30, 2006, the Fund paid legal fees of $1,962 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A member of that firm is a Trustee of the Trust.

NOTE 5—Borrowings

Pursuant to an exemptive order from the SEC, the Fund may participate in an interfund lending facility that AIM has established for temporary borrowings by the AIM Funds. An interfund loan will be made under this facility only if the loan rate (an average of the rate available on bank loans and the rate available on investments in overnight repurchase agreements) is favorable to both the lending fund and the borrowing fund. A loan will be secured by collateral if the Fund's aggregate borrowings from all sources exceeds 10% of the Fund's total assets. To the extent that the loan is required to be secured by collateral, the collateral is marked to market daily to ensure that the market value is at least 102% of the outstanding principal value of the loan.

The Fund is a participant in an uncommitted unsecured revolving credit facility with State Street Bank and Trust Company (''SSB''). The Fund may borrow up to the lesser of (i) $125,000,000, or (ii) the limits set by its prospectus for borrowings. The Fund and other funds advised by AIM which are parties to the credit facility can borrow on a first come, first served basis. Principal on each loan outstanding shall bear interest at the bid rate quoted by SSB at the time of the request for the loan.

During the six months ended June 30, 2006, the Fund did not borrow or lend under the interfund lending facility or borrow under the uncommitted unsecured revolving credit facility.

Additionally, the Fund is permitted to temporarily carry a negative or overdrawn balance in its account with SSB, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (i) leave funds as a compensating balance in the account so the custodian can be compensated by earning the additional interest; or (ii) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and AIM, not to exceed the rate contractually agreed upon.

NOTE 6—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund's fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions. Under these limitation rules, the Fund is limited as of December 31, 2005 to utilizing $919,643 of capital loss carryforward in the fiscal year ended December 31, 2006.

The Fund had a capital loss carryforward as of December 31, 2005 which expires as follows:

Expiration	Capital Loss Carryforward*
December 31, 2008	$ 441,827
December 31, 2009	3,236,744
Total capital loss carryforward	3,678,571

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code. To the extent that unrealized gains as of April 30, 2004, the date of the reorganization of AIM V.I. Global Utilities Fund into the Fund, are realized on securities held in each fund at such date, the capital loss carryforward may be further limited for up to five years from the date of the reorganization.

NOTE 7—Investment Securities

The aggregate amount of investment securities (other than short-term securities and money market funds) purchased and sold by the Fund during the six months ended June 30, 2006 was $17,550,023 and $25,975,165, respectively. For interim reporting periods, the cost of investments for tax purposes includes reversals of certain tax items, such as, wash sales that have occurred since the prior fiscal year-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$25,160,726
Aggregate unrealized (depreciation) of investment securities	(451,350)
Net unrealized appreciation of investment securities	$24,709,376

Cost of investments for tax purposes is $86,064,612

NOTE 8—Share Information

Changes in Shares Outstanding

	Six months ended June 30, 2006[a]		Year ended December 31, 2005	
	Shares	**Amount**	**Shares**	**Amount**
Sold:				
Series I	732,760	$ 13,562,804	6,323,063	$ 104,776,537
Series II	43,948	806,249	42,862	681,910
Issued as reinvestment of dividends:				
Series I	—	—	144,530	2,617,447
Series II	—	—	956	17,260
Reacquired:				
Series I	(1,443,756)	(26,676,291)	(10,289,904)	(183,652,342)
Series II	(2,915)	(53,999)	(37,379)	(580,886)
	(669,963)	$(12,361,237)	(3,815,872)	$ (76,140,074)

[a] There are five entities that are each record owners of more than 5% of the outstanding shares of the Fund and in the aggregate they own 62% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or advisor, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, AIM and/or AIM affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, AIM and/or AIM affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Trust has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 9—New Accounting Standard

In June 2006, the Financial Accounting Standards Board (''FASB'') issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (''FIN 48''). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions for FIN 48 are effective for fiscal years beginning after December 15, 2006. Management is currently assessing the impact of FIN 48, if any, on the Fund's financial statements and intends for the Fund to adopt the FIN 48 provisions during 2007.

NOTE 10—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Series I					
	Six months ended June 30, 2006	Year ended December 31, 2005	2004	2003	2002	2001
Net asset value, beginning of period	$ 17.83	$ 15.61	$ 12.95	$ 11.16	$ 14.08	$ 21.06
Income from investment operations:						
Net investment income	0.25[(a)]	0.42[(a)]	0.42[(a)]	0.33[(a)]	0.19	0.00
Net gains (losses) on securities (both realized and unrealized)	1.12	2.21	2.57	1.60	(3.05)	(6.83)
Total from investment operations	1.37	2.63	2.99	1.93	(2.86)	(6.83)
Less distributions:						
Dividends from net investment income	—	(0.41)	(0.33)	(0.14)	(0.06)	(0.07)
Distributions from net realized gains	—	—	—	—	—	(0.08)
Total distributions	—	(0.41)	(0.33)	(0.14)	(0.06)	(0.15)
Net asset value, end of period	$ 19.20	$ 17.83	$ 15.61	$ 12.95	$ 11.16	$ 14.08
Total return[(b)]	7.68%	16.83%	23.65%	17.38%	(20.32)%	(32.41)%
Ratios/supplemental data:						
Net assets, end of period (000s omitted)	$109,238	$114,104	$159,554	$62,510	$31,204	$ 20,947
Ratio of expenses to average net assets	0.93%[(c)(d)]	0.93%[(d)]	1.01%	1.08%	1.15%	1.15%
Ratio of net investment income to average net assets	2.75%[(c)]	2.49%	3.09%	2.84%	2.59%	1.13%
Portfolio turnover rate[(e)]	16%	49%	52%	58%	102%	33%

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Ratios are annualized and based on average daily net assets of $111,033,885.
(d) After fee waivers and/or expense reimbursements. Ratio of expenses to average net assets prior to fee waivers and/or expense reimbursements was 0.97% for the six months ended June 30, 2006 and 0.96% for the year ended December 31, 2005.
(e) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 10—Financial Highlights—(continued)

	Series II		
	Six months ended June 30, 2006	Year ended December 31, 2005	April 30, 2004 (Date sales commenced) December 31, 2004
Net asset value, beginning of period	$17.76	$15.57	$12.63
Income from investment operations:			
Net investment income	0.23[a]	0.38[a]	0.26[a]
Net gains on securities (both realized and unrealized)	1.12	2.20	2.68
Total from investment operations	1.35	2.58	2.94
Less dividends from net investment income	—	(0.39)	—
Net asset value, end of period	$19.11	$17.76	$15.57
Total return[b]	7.60%	16.55%	23.28%
Ratios/supplemental data:			
Net assets, end of period (000s omitted)	$1,645	$ 801	$ 602
Ratio of expenses to average net assets	1.18%[c][d]	1.18%[d]	1.28%[e]
Ratio of net investment income to average net assets	2.50%[c]	2.24%	2.82%[e]
Portfolio turnover rate[f]	16%	49%	52%

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Ratios are annualized and based on average daily net assets of $1,266,998.
(d) After fee waivers and/or expense reimbursements. Ratio of expenses to average net assets prior to fee waivers and/or expense reimbursements was 1.22% for the six months ended June 30, 2006 and 1.21% for the year ended December 31, 2005.
(e) Annualized.
(f) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 11—Legal Proceedings

Terms used in the Legal Proceedings Note are defined terms solely for the purpose of this note.

Settled Enforcement Actions and Investigations Related to Market Timing

On October 8, 2004, INVESCO Funds Group, Inc. (''IFG'') (the former investment advisor to certain AIM Funds), AIM and A I M Distributors, Inc. (''ADI'') (the distributor of the retail AIM Funds) reached final settlements with certain regulators, including the Securities and Exchange Commission (''SEC''), the New York Attorney General and the Colorado Attorney General, to resolve civil enforcement actions and/or investigations related to market timing and related activity in the AIM Funds, including those formerly advised by IFG. As part of the settlements, a $325 million fair fund ($110 million of which is civil penalties) has been created to compensate shareholders harmed by market timing and related activity in funds formerly advised by IFG. Additionally, AIM and ADI created a $50 million fair fund ($30 million of which is civil penalties) to compensate shareholders harmed by market timing and related activity in funds advised by AIM, which was done pursuant to the terms of the settlement. These two fair funds may increase as a result of contributions from third parties who reach final settlements with the SEC or other regulators to resolve allegations of market timing and/or late trading that also may have harmed applicable AIM Funds. These two fair funds will be distributed in accordance with a methodology to be determined by AIM's independent distribution consultant, in consultation with AIM and the independent trustees of the AIM Funds and acceptable to the staff of the SEC. As the methodology is unknown at the present time, management of AIM and the Fund are unable to estimate the impact, if any, that the distribution of these two fair funds may have on the Fund or whether such distribution will have an impact on the Fund's financial statements in the future.

At the request of the trustees of the AIM Funds, AMVESCAP PLC (''AMVESCAP''), the parent company of IFG and AIM, has agreed to reimburse expenses incurred by the AIM Funds related to market timing matters.

Pending Litigation and Regulatory Inquiries

On August 30, 2005, the West Virginia Office of the State Auditor -Securities Commission (''WVASC'') issued a Summary Order to Cease and Desist and Notice of Right to Hearing to AIM and ADI (Order No. 05-1318). The WVASC makes findings of fact that AIM and ADI entered into certain arrangements permitting market timing of the AIM Funds, including those formerly advised by IFG, and failed to disclose these arrangements in the prospectuses for such Funds, and conclusions of law to the effect that AIM and ADI violated the West Virginia securities laws. The WVASC orders AIM and ADI to cease any further

NOTE 11 — Legal Proceedings—(continued)

violations and seeks to impose monetary sanctions, including restitution to affected investors, disgorgement of fees, reimbursement of investigatory, administrative and legal costs and an ''administrative assessment,'' to be determined by the Commissioner. Initial research indicates that these damages could be limited or capped by statute.

Civil lawsuits, including purported class action and shareholder derivative suits, have been filed against certain of the AIM Funds, IFG, AIM, ADI and/or related entities and individuals, depending on the lawsuit, alleging:

- that the defendants permitted improper market timing and related activity in the AIM Funds;
- that certain AIM Funds inadequately employed fair value pricing;
- that the defendants charged excessive advisory and/or distribution fees and failed to pass on to shareholders the perceived savings generated by economies of scale and that the defendants adopted unlawful distribution plans; and
- that the defendants improperly used the assets of the AIM Funds to pay brokers to aggressively promote the sale of the AIM Funds over other mutual funds and that the defendants concealed such payments from investors by disguising them as brokerage commissions.

These lawsuits allege as theories of recovery, depending on the lawsuit, violations of various provisions of the Federal and state securities laws and ERISA, negligence, breach of fiduciary duty and/or breach of contract. These lawsuits seek remedies that include, depending on the lawsuit, damages, restitution, injunctive relief, imposition of a constructive trust, removal of certain directors and/or employees, various corrective measures under ERISA, rescission of certain AIM Funds' advisory agreements and/or distribution plans and recovery of all fees paid, an accounting of all fund-related fees, commissions and soft dollar payments, restitution of all commissions and fees paid, and prospective relief in the form of reduced fees.

All lawsuits based on allegations of market timing, late trading and related issues have been transferred to the United States District Court for the District of Maryland (the ''MDL Court''). Pursuant to an Order of the MDL Court, plaintiffs in these lawsuits consolidated their claims for pre-trial purposes into three amended complaints against various AIM- and IFG-related parties: (i) a Consolidated Amended Class Action Complaint purportedly brought on behalf of shareholders of the AIM Funds; (ii) a Consolidated Amended Fund Derivative Complaint purportedly brought on behalf of the AIM Funds and fund registrants; and (iii) an Amended Class Action Complaint for Violations of the Employee Retirement Income Securities Act (''ERISA'') purportedly brought on behalf of participants in AMVESCAP's 401(k) plan. Based on orders issued by the MDL Court, all claims asserted against the AIM Funds that have been transferred to the MDL Court have been dismissed, although certain Funds remain nominal defendants in the Consolidated Amended Fund Derivative Complaint.

IFG, AIM, ADI and/or related entities and individuals have received inquiries from numerous regulators in the form of subpoenas or other oral or written requests for information and/or documents related to one or more of the following issues, among others, some of which concern one or more AIM Funds: market timing activity, late trading, fair value pricing, excessive or improper advisory and/or distribution fees, mutual fund sales practices, including revenue sharing and directed-brokerage arrangements, investments in securities of other registered investment companies, contractual plans, issues related to Section 529 college savings plans and procedures for locating lost security holders. IFG, AIM and ADI have advised the Fund that they are providing full cooperation with respect to these inquiries. Regulatory actions and/or additional civil lawsuits related to these or other issues may be filed against the AIM Funds, IFG, AIM and/or related entities and individuals in the future.

At the present time, management of AIM and the Fund are unable to estimate the impact, if any, that the outcome of the Pending Litigation and Regulatory Inquiries described above may have on AIM, ADI or the Fund.

* *

As a result of the matters discussed above, investors in the AIM Funds might react by redeeming their investments. This might require the AIM Funds to sell investments to provide for sufficient liquidity and could also have an adverse effect on the investment performance of the AIM Funds.

Trustees and Officers

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11 Greenway Plaza
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Houston, TX 77046-1173

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Suite 100
Houston, TX 77046-1173

Transfer Agent
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Custodian
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The Alger American Fund

Alger American
Balanced Portfolio

Semi-Annual Report

June 30, 2006

(Unaudited)

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Dear Shareholders,

August 9, 2006

Over the six months ending June 30, 2006, the U.S. economy saw rapid growth during the first quarter, followed by a steadier, less dramatic growth in the second quarter. That shift led to wild swings in sentiment and attitude, with the robust growth of the first quarter fostering concerns about inflation and runaway growth, while the cooling in the second quarter led to fears of a faltering economy and a weak housing market.

However, contrary to the headlines of the day, international tensions, and some seemingly extreme market swings, we think there has been little fundamental change in either the economy or on the corporate earnings front since the end of 2005. Earnings have stayed elevated; the economy has remained in a growth groove; job creation and wage growth have been a shade weaker than expected; and inflation worries have been raised. But on the whole, the year has been uneventful, with the only drama being reactions to the Federal Open Market Committee (FOMC) and to whispers, rumors and uncertainty about when it would stop raising short-term interest rates.

After new Fed Chairman Ben Bernanke appeared before the U.S. Congress on April 27th, it was widely believed that the Fed would stop before the summer. After subsequent hawkish statements by Bernanke and others in May, the markets sold off sharply, and then stabilized ahead of another rate increase at the Fed meeting in June, from 5.00% to 5.25% – the 17th consecutive increase since June 2004 and the third rate hike in 2006 alone.

The result was that at the mid-point of 2006, the economy – with the exception of a cooling housing market – was largely in the same spot it had been in when it began the year. Despite the increases, rates remain low relative to historical standards, and fears notwithstanding, core inflation, at less than 2.5%, is very tame compared to the past. As for the markets, after the May sell-off, the major indices remained mixed with the Dow Jones Industrials up 5.22%, the Standard & Poor's 500 Index up 2.71% and the NASDAQ down 1.50% for the six months ending June 30, 2006. Foreign and emerging markets, which sold off more sharply in May than the U.S. market did, were still up considerably for the year.

As for the bond market, there was a brief flurry of rising yields, with the yield on the 10-year Treasury note piercing 5.00% for the first time in nearly four years on the heels of a continued robust economic landscape, ever-increasing capacity utilization and tight labor markets. But the summer saw a reversal of yields back to 5.00% on skepticism that either the economy or inflation would continue to expand.

Finally, on August 8, after this reporting period came to a close, the Fed finally halted its rate increase. Whether that constitutes a pause or an end to this particular cycle, we don't know. But we do know that even if rates were to increase a few times more, we are near a peak, and any peak below 6% is very low by historical standards. The point, simply, is that in our view, neither rates nor inflation are high enough on a relative historical basis to act as a severe brake on either economic growth or more to the point, corporate earnings growth. In fact, relative to earnings, the markets are increasingly less expensive. Moreover, the relentless focus on "what the Fed will do" has obscured what companies are doing. At Alger, we keep an eye on the Fed, but we focus instead on dynamic companies, their fundamentals, and the world they are creating.

Portfolio Matters

The Alger American Balanced Portfolio returned -2.11% for the first half of the fiscal year, compared to the Russell 1000 Growth Index[1] which returned -0.92%. Information technology represented an average weight of 25.49% of the Portfolio's equity holdings, an overweight compared to the benchmark, and outperformed in this sector. Strong performers included Network Appliance Inc., Nintendo Ltd, and Corning, Inc.

At an average weight of 11.77% our equity holdings in the health care sector were underweight in comparison to the benchmark, and underperformed. Despite the underperformance the Portfolio's health care holdings saw strong performances from Novartis AG, a world leader in pharmaceuticals, Medco Health Solutions, Inc., and Gilead Sciences, Inc.

In the consumer discretionary sector, the Portfolio was overweight at 13.33% compared to the benchmark, and underperformed despite solid returns from News Corporation, Starbucks Corp., and the Walt Disney Co. Over the course of the first six months of the year the Portfolio increased its overall holdings in this sector.

Energy stocks accounted for an average weight of 9.77% of the Portfolio's equity holdings. The Portfolio had a slight underperformance compared to the benchmark in this sector.

The fixed-income portion of the Alger American Balanced Fund returned -1.14% for the first six months of the year versus the Lehman Brothers Intermediate Government/Credit Bond Index[2] return of -1.15%. As of June 30, 2006, 48% of the fixed-income portfolio was in corporate securities, 18% in US Treasury, and 34% in US Agency.

Looking Ahead

We want you to know that we value the trust you have placed in Alger. We will continue to look for dynamic, forward-looking companies that are creating the business and marketplaces of tomorrow, bringing growth opportunities to our investors.

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

(1) Russell 1000 Growth Index is an unmanaged index designed to measure the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

(2) Lehman Brothers Intermediate Government/Credit Bond Index is an index designed to track performance of intermediate government and corporate bonds.

You can not invest directly in any index.

The views and opinions of the Fund's management and the portfolio holdings described in this report are as of June 30, 2006 and are subject to change at any time subsequent to this date. There is no guarantee that any of the assumptions that formed the basis for the opinions stated herein are accurate or that they will materialize. Moreover, the information forming the basis for such assumptions is from sources believed to be reliable, however, there is no guarantee that such information is accurate. Any securities mentioned, whether owned in a portfolio or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a portfolio and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a portfolio.

A Word About Risk

Growth stocks tend to be more volatile than other stocks as the price of growth stocks tends to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. Portfolios that invest in fixed-income securities, such as the Balanced Portfolio, are subject to the fixed-income securities' sensitivity to interest rate movements; their market values tend to fall when interest rates rise and to rise when interest rates fall. These portfolios are also subject to the risk of a decline in the value of the portfolio's securities in the event of an issue's falling credit rating or actual default. For a more detailed discussion of the risks associated with the Portfolio, please see the Fund's Prospectus.

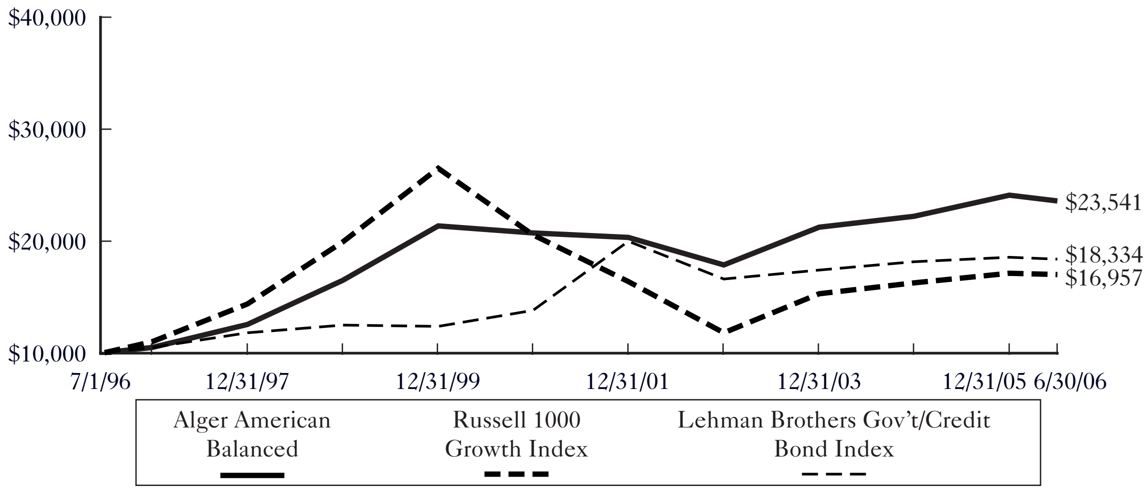
Mutual funds are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by banks, and are subject to investment risks, including possible loss of principal amount invested.

Before investing in any portfolio in The Alger American Fund, investors should consider the Portfolio's investment objective, risks and charges and expenses carefully before investing. The Fund's prospectus contains this and other information about the Portfolio, and may be obtained by asking your financial advisor, calling us at (800) 254-3797, or visiting our website at www.alger.com, or contacting the Fund's distributor, Fred Alger & Company, Incorporated, 30 Montgomery Street, Jersey City, New Jersey 07302. Read the prospectus carefully before investing.

ALGER AMERICAN BALANCED PORTFOLIO

Portfolio Highlights Through June 30, 2006 (Unaudited)

HYPOTHETICAL $10,000 INVESTMENT—10 Years Ended June 30, 2006



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in Alger American Balanced Class O shares, the Russell 1000 Growth Index, and the Lehman Brothers Government/Credit Bond Index for the ten years ended June 30, 2006. Figures for the Alger American Balanced Class O shares, the Russell 1000 Growth Index (an unmanaged index of common stocks), and the Lehman Brothers Government/Credit Bond Index (an unmanaged index of government and corporate bonds), include reinvestment of dividends and/or interest. Performance for the Alger American Balanced Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON THROUGH June 30, 2006

	Average Annual Total Returns			
	1 Year	5 Years	10 Years	Since Inception
Class O (Inception 9/5/89)	4.63%	2.79%	8.94%	8.79%
Russell 1000 Growth Index	6.12%	(0.76)%	5.42%	8.90%
Lehman Brothers Gov't/Credit Bond Index	(1.53)%	5.13%	6.25%	7.22%
Class S (Inception 5/1/02)	4.38%	—	—	4.49%
Russell 1000 Growth Index	6.12%	—	—	3.62%
Lehman Brothers Gov't/Credit Bond Index	(1.53)%	—	—	4.63%

The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance current to the most recent month-end, visit us at www.alger.com, or call us at (800) 254-3797.

Returns indicated assume reinvestment of all distributions, no transaction costs or taxes, and are net of management fees and fund operating expenses only. Total return does not include deductions at the Portfolio or contract level for cost of insurance charges, premium load, administrative charges, mortality and expense risk charges or other charges that may be incurred under the variable annuity contract, variable life insurance plan or retirement plan for which the Portfolio serves as an underlying investment vehicle. If these charges were deducted, the total return figures would be lower. Please refer to the variable insurance product or retirement plan disclosure documents for any additional applicable expenses. Investing in the stock market involves gains and losses and may not be suitable for all investors.

The Alger American Fund
Alger American Balanced Portfolio
Portfolio Summary* (Unaudited)

Sectors/Security Types	
Consumer Discretionary	5.7%
Consumer Staples	3.9%
Energy	7.4%
Financials	7.4%
Health Care	6.6%
Industrials	7.7%
Information Technology	15.8%
Materials	4.5%
Telecommunications Services	2.1%
Utilities	0.6%
Total Common Stocks	61.7%
Corporate Obligations	17.4%
U.S. Agency Obligations	12.3%
U.S. Treasury Obligations	6.6%
Total Obligations	36.3%
Cash and Net Other Assets	2.0%
	100.0%

* Based on net assets.

The Alger American Fund
Alger American Balanced Portfolio
Schedule of Investments—June 30, 2006 (Unaudited)

Shares	COMMON STOCKS—61.7%	Value
	AEROSPACE & DEFENSE—1.2%	
42,100	Boeing Company	$ 3,448,411
	BIOTECHNOLOGY—1.9%	
77,500	Biogen Idec Inc.*	3,590,575
35,300	Gilead Sciences, Inc.	2,088,348
		5,678,923
	CAPITAL MARKETS—3.4%	
27,100	Bear Stearns Companies Inc.	3,796,168
24,200	Goldman Sachs Group, Inc.	3,640,406
27,000	Legg Mason, Inc.	2,687,040
		10,123,614
	CHEMICALS—.9%	
42,900	Air Products and Chemicals, Inc.	2,742,168
	COMMERCIAL BANKS—.7%	
40,200	Bank of America Corporation	1,933,620
	COMMUNICATION EQUIPMENT—1.8%	
177,600	Cisco Systems, Inc.*	3,468,528
28,800	Research In Motion Limited*	2,009,376
		5,477,904
	COMPUTERS & PERIPHERALS—3.8%	
76,900	Apple Computer, Inc.*	4,392,528
77,300	Memc Electronic Materials, Inc.*	2,898,750
39,650	Network Appliance, Inc.*	1,399,645
108,600	Seagate Technology	2,458,704
		11,149,627
	DIVERSIFIED FINANCIAL SERVICES—1.5%	
31,100	NYSE Group Inc.*	2,129,728
29,500	Prudential Financial, Inc.	2,292,150
		4,421,878
	DIVERSIFIED TELECOMMUNICATION SERVICES—1.4%	
22,400	ALLTEL Corporation	1,429,792
592,800	Level 3 Communication Inc.*	2,632,032
		4,061,824
	ELECTRIC UTILITIES—.6%	
31,900	Exelon Corporation	1,812,877
	ELECTRONIC EQUIPMENT & INSTRUMENTS—1.3%	
45,400	Emerson Electric Co.	3,804,974
	ENERGY EQUIPMENT & SERVICES—4.4%	
52,200	National-Oilwell Varco Inc.*	3,305,304
63,500	Schlumberger Limited	4,134,485
47,200	Transocean Inc.*	3,791,104
38,900	Weatherford International Ltd.*	1,930,218
		13,161,111

Shares		Value
	FINANCIAL SERVICES—.9%	
291,800	Hong Kong Exchanges & Clearing Limited	$ 1,876,584
41,198	London Stock Exchange PLC	866,755
		2,743,339
	FOOD & STAPLES RETAILING—1.0%	
99,200	CVS Corporation	3,045,440
	FOOD PRODUCTS—1.0%	
74,200	Archer-Daniels-Midland Company	3,062,976
	FREIGHT & LOGISTICS—1.3%	
33,000	FedEx Corp.	3,856,380
	HEALTH CARE EQUIPMENT & SUPPLIES—1.4%	
55,400	St. Jude Medical, Inc.*	1,796,068
41,900	Zimmer Holdings, Inc.*	2,376,568
		4,172,636
	HEALTH CARE PROVIDERS & SERVICES—3.3%	
89,900	Aetna Inc.	3,589,707
60,500	Medco Health Solutions, Inc.*	3,465,440
373,800	Tenet Healthcare Corporation*	2,609,124
		9,664,271
	HOTELS, RESTAURANTS & LEISURE—1.4%	
58,500	Wynn Resorts, Limited*	4,288,050
	INDUSTRIAL CONGLOMERATES—.6%	
54,700	General Electric Company	1,802,912
	INSURANCE—.9%	
30,400	Hartford Financial Services Group, Inc. (The)	2,571,840
	INTERNET & CATALOG RETAIL—1.8%	
119,500	eBay Inc.*	3,500,155
70,400	Netflix Inc.*	1,915,584
		5,415,739
	INTERNET SOFTWARE & SERVICES—4.5%	
13,500	Google Inc. Cl. A*	5,660,955
227,300	Yahoo! Inc.*	7,500,900
		13,161,855
	MACHINERY—1.3%	
50,400	Caterpillar Inc.	3,753,792
	MEDIA—1.9%	
379,050	XM Satellite Radio Holdings Inc. Cl. A*	5,553,083

Shares	COMMON STOCKS—(Cont'd)	Value
	METALS & MINING—4.6%	
113,200	Freeport-McMoRan Copper & Gold, Inc. Cl. B	$ 6,272,412
21,500	Inco Limited	1,416,850
52,100	Peabody Energy Corporation	2,904,575
112,700	Vedanta Resources PLC	2,840,599
		13,434,436
	MULTILINE RETAIL—1.1%	
91,400	Federated Department Stores, Inc.	3,345,240
	OIL & GAS—1.9%	
83,900	Valero Energy Corporation	5,581,028
	ROAD & RAIL—.6%	
23,800	Burlington Northern Santa Fe Corporation	1,886,150
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—3.6%	
189,500	Freescale Semiconductor Inc. Cl. A*	5,495,500
115,600	Marvell Technology Group Ltd.*	5,124,548
		10,620,048
	SOFTWARE—.9%	
117,600	Microsoft Corporation	2,740,080
	TEXTILES, APPAREL & LUXURY GOODS—.7%	
65,800	Coach, Inc.*	1,967,420
	TOBACCO—1.9%	
76,600	Altria Group, Inc.	5,624,738
	TRANSPORTATION—1.5%	
46,500	Textron Inc.	4,286,370
	WIRELESS TELECOMMUNICATION SERVICES—.7%	
35,900	NII Holdings Inc. Cl. B*	2,024,042
	Total Common Stocks (Cost $182,807,923)	182,418,796

Principal Amount	CORPORATE BONDS—17.4%	Value
	AEROSPACE & DEFENSE—.3%	
$ 827,367	Systems 2001 Asset Trust Cl. G, 6.664%, 9/15/13	$ 851,956
	AEROSPACE & DEFENSE—.4%	
1,090,000	Alliant Techsystems Inc., 6.75%, 4/1/16	1,051,850
	AUTO EQUIPMENT & SERVICES—.2%	
622,000	Tenneco Inc., 8.625%, 11/15/14(a)	623,555
	AUTOMOTIVE—1.0%	
1,590,000	Honda Auto Receivables Owner Trust, 5.07%, 2/18/10	1,577,661
1,250,000	Nissan Auto Receivables Owner Trust, 4.74%, 9/15/09	1,234,157
		2,811,818
	BEVERAGES—.2%	
615,000	Sabmiller PLC, 5.7998%, 7/1/09(a)	614,496
	BUSINESS SERVICES—.3%	
1,000,000	Preferred Term XXI, 5.71%, 3/22/38(a)	974,720
	CAPITAL MARKETS—.6%	
650,000	J.P. Morgan Chase & Co., 5.60%, 6/1/11	645,969
1,100,000	Lehman Brothers Holdings, 5.75%, 5/17/13	1,084,505
		1,730,474
	COMMERCIAL BANKS—1.1%	
1,575,000	Associates Corp. North America, 6.95%, 11/1/18	1,694,070
1,762,000	First Tennessee Bank, 5.65%, 4/1/16	1,702,007
		3,396,077
	ELECTRIC UTILITIES—.2%	
590,000	General Electric Capital Corp., 5.50%, 4/28/11	586,180
	ELECTRONIC EQUIPMENT & INSTRUMENTS—.4%	
1,100,000	GE Equipment Small Ticket, 4.875%, 10/22/09(a)	1,088,545
	ELECTRONICS—.2%	
650,000	Centerpoint Energy Transition Bond Company, 4.97%, 8/1/14	635,981
	ENERGY—.6%	
1,810,000	Encana Holdings Financial Corp., 5.80%, 5/1/14	1,772,708

Principal Amount	CORPORATE BONDS—(Cont'd)	Value
	FINANCE—1.4%	
$1,900,000	Merrill Lynch Mortgage Trust, 4.855%, 10/12/41	$ 1,772,957
1,600,000	Merrill Lynch Mortgage Trust, 5.84%, 5/12/39	1,583,523
673,000	Residential Capital, 6.50%, 4/17/13	661,338
		4,017,818
	FINANCIAL SERVICES—3.0%	
1,900,000	Citibank Credit Card Issuance Trust, 5.70%, 5/15/13	1,879,822
650,000	HSBC Bank USA, 5.625%, 8/15/35	575,661
1,350,000	Jefferies Group, Inc., 6.25%, 1/15/36	1,236,013
1,900,000	JP Morgan Chase Commercial Mortgage SEC CO 5.875%, 4/15/45	1,896,580
1,700,000	Morgan Stanley Aces SPC, 6.083%, 9/20/13(a)	1,696,600
1,670,000	Washington Mutual Bank Floating Rate Note, 5.593%, 5/20/13	1,671,555
		8,956,231
	GAS UTILITIES—.3%	
1,000,000	Kinder Morgan Energy Partners, L.P., 5.80%, 3/15/35	856,076
	HEALTH CARE PROVIDERS & SERVICES—.5%	
547,000	Aetna Inc., 6.00%, 6/15/16	540,068
945,000	Omnicare, Inc., 6.75%, 12/15/13	904,838
		1,444,906
	HOTELS, RESTAURANTS & LEISURE—.3%	
671,000	Boyd Gaming Corp., 7.125%, 2/1/16	651,709
315,000	MGM MIRAGE, 6.75%, 4/1/13(a)	302,006
		953,715
	INSURANCE—.9%	
350,000	AmerUs Group, 6.583%, 5/16/11	351,316
1,850,000	Franklin Auto Trust Series 2005-1, 4.91%, 4/20/10	1,832,674
490,000	The Chubb Corporation, 4.934%, 11/16/07	485,183
		2,669,173
	MACHINERY—.8%	
1,300,000	CNH Equipment Trust, 5.20%, 8/16/10	1,291,530
1,345,000	The Manitowoc Co., Inc., 7.125%, 11/1/13	1,324,825
		2,616,355

Principal Amount		Value
	MEDIA—.7%	
$1,800,000	Clear Channel Communications, Inc. Senior Notes, 5.75%, 1/15/13	$ 1,691,402
284,000	Liberty Media Corporation Floating Rate Note, 6.829%, 9/17/06	284,951
		1,976,353
	METALS & MINING—.4%	
1,250,000	Alcan Inc., 5.00%, 6/1/15	1,156,944
	MISCELLANEOUS—.6%	
1,700,000	Jefferson Valley Floating Rate, 6.34%, 3/20/16(a)	1,696,345
	MULTI-UTILITIES UNREGULATED POWER—.4%	
1,210,204	PG&E Energy Recovery Funding, LLC., 4.85%, 6/25/11	1,197,827
	OIL & GAS—.8%	
650,000	Inergy LP, 8.25%, 3/1/16	659,750
1,820,000	Shell International Financial, 5.625%, 6/27/11	1,822,310
		2,482,060
	OIL AND GAS EXTRACTION—.5%	
1,395,000	Enterprise Products Partners L.P., 6.875%, 3/1/33	1,368,121
	REAL ESTATE—.3%	
1,075,000	ProLogis, 5.75%, 4/1/16	1,038,176
	SOFTWARE—.4%	
1,300,000	Oracle Corporation, 5.25%, 1/15/16	1,219,691
	TELEPHONES—.2%	
480,000	AT&T Inc. Floating Rate Note 5.26%, 5/15/08	480,200
	WIRELESS TELECOMMUNICATION SERVICES—.4%	
1,190,000	Vodafone Group PLC, 5.50%, 6/15/11	1,163,588
	Total Corporate Bonds (Cost $52,541,567)	51,431,939

Principal Amount	U.S. GOVERNMENT & AGENCY OBLIGATIONS—18.9%	Value
	Federal Home Loan Banks,	
$ 850,000	3.75%, 8/15/08	$ 821,647
1,800,000	5.58%, 5/16/11	1,797,463
1,500,000	5.375%, 5/18/16	1,483,209
	Federal Home Loan Mortgage Corporation,	
2,350,000	4.50%, 11/15/11	2,244,086
1,191,785	5.125%, 12/15/13	1,158,325
1,021,777	5.50%, 11/15/14	1,012,165
1,276,705	5.00%, 4/15/16	1,260,186
2,570,000	5.75%, 6/27/16	2,574,868
1,055,019	5.50%, 7/15/16	1,043,821
776,440	5.00%, 8/15/16	758,652
1,935,954	5.75%, 12/15/18	1,914,584
1,100,000	5.00%, 10/15/28	1,063,672
1,845,000	5.50%, 10/15/31	1,787,633
1,300,000	5.00%, 9/15/33	1,260,084
	Federal National Mortgage Association,	
500,000	6.96%, 4/2/07	505,123
1,200,000	5.15%, 9/21/07	1,194,414
1,380,000	3.25%, 8/15/08	1,320,286
2,100,000	4.75%, 8/25/08	2,070,881
1,500,000	4.75%, 4/19/10	1,459,502
1,045,285	6.00%, 1/25/15	1,047,027
1,890,000	6.00%, 6/25/16	1,881,873
1,371,040	5.00%, 4/1/18	1,323,833
1,350,000	5.00%, 1/25/20	1,319,125
1,913,332	5.75%, 9/25/20	1,889,708
508,000	6.625%, 11/15/30	577,099
1,800,000	6.00%, 4/25/35	1,771,151
	U.S. Treasury Bonds,	
2,094,000	7.50%, 11/15/16	2,477,466
1,000,000	5.25%, 11/15/28	995,626
3,543,000	5.375%, 2/15/31	3,605,282
	U.S. Treasury Notes,	
2,000,000	3.75%, 3/31/07	1,978,126
230,000	4.375%, 5/15/07	228,311
1,385,000	3.00%, 11/15/07	1,345,127
132,000	3.125%, 9/15/08	126,524
1,626,000	3.125%, 4/15/09	1,542,796
4,100,000	3.50%, 11/15/09	3,898,366
1,900,000	4.25%, 8/15/13	1,803,220
900,000	4.25%, 11/15/14	846,704
640,000	4.50%, 2/15/16	609,100
	Total U.S. Government & Agency Obligations (Cost $57,056,513)	55,997,065

Principal Amount	SHORT-TERM INVESTMENTS—1.0%		Value
	U.S. AGENCY OBLIGATIONS		
$3,047,000	Federal Home Loan Banks, 4.65%, 7/3/06 **(Cost $3,046,213)**		$ 3,046,213
Total Investments (Cost $295,452,216)(b)		99.0%	292,894,013
Other Assets in Excess of Liabilities		1.0	2,879,089
Net Assets		100.0%	$295,773,102

* Non-income producing security.
# American Depositary Receipts.
(a) Pursuant to Securites and Exchange Commission Rule 144A, these securities may be sold prior to their maturity only to qualified instituitonal buyers. These securities are deemed to be liquid and represent 2.4% of net assets of the Portfolio.
(b) At June 30, 2006, the net unrealized depreciation on investments, based on cost for federal income tax purposes of $296,609,641 amounted to $3,715,628 which consisted of aggregate gross unrealized appreciation of $6,817,757 and aggregate gross unrealized depreciation of $10,533,385.

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Statement of Assets and Liabilities (Unaudited)

June 30, 2006

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	$292,894,013
Cash	2,240
Receivable for investment securities sold	10,081,408
Receivable for shares of beneficial interest sold	26,173
Interest and dividends receivable	1,136,968
Prepaid expenses	5,895
Total Assets	304,146,697
Liabilities:	
Payable for investment securities purchased	7,970,065
Payable for shares of beneficial interest redeemed	160,556
Accrued investment management fees	181,244
Accrued expenses	61,730
Total Liabilities	8,373,595
Net Assets	$295,773,102
Net Assets Consist of:	
Paid-in capital	$287,262,620
Undistributed net investment income	2,376,955
Undistributed net realized gain	8,691,730
Net unrealized depreciation	(2,558,203)
Net Assets	$295,773,102
Class O	
Net Asset Value Per Share	$13.19
Class S	
Net Asset Value Per Share	$13.38
Shares of beneficial interest outstanding—Note 5	
Class O	19,934,646
Class S	2,458,742
*Identified cost	$295,452,216

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Statement of Operations (Unaudited)

For the six months ended June 30, 2006

INVESTMENT INCOME	
Interest	$ 2,791,423
Dividends	1,068,296
Total Income	3,859,719
EXPENSES:	
Management fees—Note 3(a)	1,200,171
Custodian fees	24,542
Professional fees	11,908
Transfer agent fees	43,249
Printing fees	33,295
Distribution fees—Note 3(b) Class S	49,808
Trustees' fees	992
Miscellaneous	5,184
Total Expenses	1,369,149
Net Investment Income	2,490,570
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY	
Net realized gain on investments	9,846,642
Net realized gain on foreign currency transactions	3,036
Net change in unrealized appreciation (depreciation) on investments and foreign currency translations	(18,909,933)
Net realized and unrealized loss on investments and foreign currency	(9,060,255)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ (6,569,685)

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Statement of Changes in Net Assets (Unaudited)

For the six months ended June 30, 2006

Net investment income	$ 2,490,570
Net realized gain on investments and foreign currency transactions	9,849,678
Net change in unrealized appreciation (depreciation) on investments and foreign currency translations	(18,909,933)
Net decrease in net assets resulting from operations	(6,569,685)
Dividends and distributions to shareholders from:	
Net investment income	
Class O	(4,155,477)
Class S	(404,093)
Net realized gains	
Class O	(14,015,672)
Class S	(1,726,857)
Total dividends and distributions to shareholders	(20,302,099)
Decrease from shares of beneficial interest transactions:	
Class O	(5,494,168)
Class S	(7,856,095)
Net decrease from shares of beneficial interest transactions—Note 5	(13,350,263)
Total decrease	(40,222,047)
Net Assets	
Beginning of period	335,995,149
End of period	$295,773,102
Undistributed net investment income	$ 2,376,955

The Alger American Fund
Alger American Balanced Portfolio
Statement of Changes in Net Assets

For the year ended December 31, 2005

Net investment income	$ 4,222,591
Net realized gain on investments	32,650,466
Net change in unrealized appreciation (depreciation) on investments	(10,357,963)
Net increase in net assets resulting from operations	26,515,094
Dividends to shareholders from:	
Net investment income	
Class O	(4,826,274)
Class S	(623,154)
Total dividends to shareholders	(5,449,428)
Decrease from shares of beneficial interest transactions:	
Class O	(35,627,151)
Class S	(3,622,485)
Net decrease from shares of beneficial interest transactions—Note 5	(39,249,636)
Total decrease	(18,183,970)
Net Assets	
Beginning of year	354,179,119
End of year	$335,995,149
Undistributed net investment income	$ 4,445,955

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Financial Highlights

For a share outstanding throughout the period

		Income from Investment Operations				
	Net Asset Value, Beginning of Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Gains
Class O						
Six months ended 6/30/06(i)(iii)	$14.44	$ 0.13	$ (0.42)	$ (0.29)	$(0.22)	$(0.74)
Year ended 12/31/05	13.55	0.20	0.92	1.12	(0.23)	—
Year ended 12/31/04	13.16	0.19	0.40	0.59	(0.20)	—
Year ended 12/31/03	11.29	0.19	1.94	2.13	(0.26)	—
Year ended 12/31/02	13.08	0.20	(1.79)	(1.59)	(0.20)	—
Year ended 12/31/01	13.77	0.18	(0.43)	(0.25)	(0.20)	(0.24)
Class S						
Six months ended 6/30/06(i)(iii)	$14.61	$ 0.10	$ (0.42)	$ (0.32)	$(0.17)	$(0.74)
Year ended 12/31/05	13.71	0.14	0.96	1.10	(0.20)	—
Year ended 12/31/04	13.34	0.17	0.39	0.56	(0.19)	—
Year ended 12/31/03	11.47	0.23	1.90	2.13	(0.26)	—
Eight months ended 12/31/02(i)(ii)	12.50	0.02	(1.05)	(1.03)	—	—

(i) Ratios have been annualized; total return has not been annualized.
(ii) Commenced operations May 1, 2002.
(iii) Unaudited.

See Notes to Financial Statements.

			Ratios/Supplemental Data			
Total Distributions	Net Asset Value, End of Period	Total Return	Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
$(0.96)	$13.19	(2.11)%	$ 262,878	0.82%	1.59%	150.19%
(0.23)	14.44	8.42	292,412	0.81	1.29	218.77
(0.20)	13.55	4.57	309,744	0.87	1.41	177.66
(0.26)	13.16	19.03	308,990	0.87	1.60	135.67
(0.20)	11.29	(12.29)	254,290	0.87	2.16	188.76
(0.44)	13.08	(1.93)	224,959	0.85	2.53	62.93
$(0.91)	$13.38	(2.26)%	$ 32,895	1.08%	1.31%	150.19%
(0.20)	14.61	8.15	43,583	1.06	1.05	218.77
(0.19)	13.71	4.27	44,435	1.12	1.20	177.66
(0.26)	13.34	18.73	28,680	1.11	1.25	135.67
—	11.47	(8.24)	494	1.17	1.67	188.76

See Notes to Financial Statements.

June 30, 2006

NOTE 1—General:

The Alger American Fund (the "Fund") is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the Alger American Balanced Portfolio (the "Portfolio"). The Portfolio's investment objectives are current income and long-term capital appreciation which it seeks to achieve through investing in equity and fixed income securities. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

The Portfolio offers Class O and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

NOTE 2—Significant Accounting Policies:

(a) ***Investment Valuation:*** Investments of the Portfolio are generally valued on each day the New York Stock Exchange (the "NYSE") is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed securities for which such information is readily available are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and asked price or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued. Securities included within the Nasdaq market are valued at the Nasdaq official closing price ("NOCP") on the day of valuation, or if there is no NOCP issued, at the last sale price on such day. Securities included within the Nasdaq market for which there is no NOCP and no last sale price on the day of valuation are valued at the mean between the last bid and asked prices on such day.

Securities for which market quotations are not readily available or for which the market quotation does not, in the opinion of the investment manager, reflects the securities true value are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

Securities in which the Portfolio invests may be traded in markets that close before the close of the NYSE. Normally, developments that occur between the close of the foreign markets and the close of the NYSE (normally 4:00 p.m. Eastern time) will not be reflected in the Portfolio's net asset values. However, if it be determined that such developments are so significant that they will materially affect the value of the Portfolio's securities, the Portfolio may adjust the previous closing prices to reflect what the investment manager, under the direction of the Board of Trustees, believes to be the fair value of these securities as of the close of the NYSE. The Portfolio may also fair value securities in other situations, for example, when a particular foreign market is closed but the Portfolio is open.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) ***Security Transactions and Investment Income:*** Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

Premiums and discounts on debt securities purchased are amortized or accreted over the lives of the respective securities.

(c) ***Foreign Currency Transactions:*** The books and records of the Portfolio are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the prevailing rates of exchange on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of such transactions.

Net realized gains and losses on foreign currency transactions represent net gains and losses from the disposition of foreign currencies, currency gains and losses realized between the trade dates and settlement dates of security transactions, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are included in realized and unrealized gain or loss on investments in the Statement of Operations.

(d) ***Repurchase Agreements:*** The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(e) ***Lending of Portfolio Securities:*** The Portfolio may lend its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day. There were no securities on loan during the six months ended June 30, 2006.

(f) ***Dividends to Shareholders:*** Dividends payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

Each class is treated separately in determining the amounts of dividends of net investment income and capital gains payable to holders of its shares.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio's distributions may be shown in the accompanying financial statements as either from, or in excess of, net investment income or net realized gain on investment transactions, or return of capital, depending on the type of book/tax differences that may exist.

Capital accounts within the financial statements are adjusted for permanent book/tax differences. Reclassifications result primarily from the difference in tax treatment of net operating losses, premium/discount of debt securities, and realized gains from redemptions in kind. The reclassifications had no impact on the net asset value of the Portfolio and are designed to present the Portfolio's capital accounts on a tax basis.

(g) ***Federal Income Taxes:*** It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of the taxable income, including net realized capital gains, of the Portfolio to its respective shareholders. Therefore, no federal income tax provision is required. Each portfolio is treated as a separate entity for the purpose of determining such compliance.

(h) ***Allocation Methods:*** The Fund accounts separately for the assets, liabilities and operations of each of its portfolios. Expenses directly attributable to each portfolio are charged to that portfolio's operations; expenses which are applicable to all portfolios are allocated among them based on net assets. Income, realized and unrealized gains and losses, and expenses of the Portfolio are allocated among the Portfolio's classes based on relative net assets, with the exception of distribution fees, which are only applicable to Class S shares.

(i) ***Indemnification:*** The Fund enters into contracts that contain a variety of indemnification provisions. The Fund's maximum exposure under these arrangements is unknown. The Fund does not anticipate recognizing any loss related to these arrangements.

(j) ***Other:*** These financial statements have been prepared in accordance with U.S. generally accepted accounting principles using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) ***Investment Management Fees:*** Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at an annual rate of .75%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, of the Portfolio exceed 1.25% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

(b) ***Distribution Fees:*** Class S shares—The Fund has adopted a Distribution Plan pursuant to which Class S shares of the Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor"), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by the Distributor.

(c) ***Brokerage Commissions:*** During the six months ended June 30, 2006, the Portfolio paid the Distributor $430,371 in connection with securities transactions.

(d) ***Shareholder Administrative Fees:*** The Fund has entered into a shareholder administrative service agreement with Alger Shareholder Services, Inc. ("Alger Services") to compensate Alger

Services on a per account basis for its liaison and administrative oversight of the transfer agent and related services. During the six months ended June 30, 2006, the Portfolio incurred fees of $51 for these services.

(e) ***Other:*** Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor and Alger Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, for the six months ended June 30, 2006, were $472,983,016 and $506,307,275, respectively.

NOTE 5—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value which are divided into six series. Each series is divided into two separate classes.

During the six months ended June 30, 2006, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	656,369	$ 9,438,191
Dividends reinvested	1,368,309	18,171,149
Shares redeemed	(2,333,447)	(33,103,508)
Net decrease	(308,769)	$ (5,494,168)
Class S:		
Shares sold	64,333	$ 937,825
Dividends reinvested	158,082	2,130,950
Shares redeemed	(746,358)	(10,924,870)
Net decrease	(523,943)	$ (7,856,095)

During the year ended December 31, 2005, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	1,273,869	$ 17,530,368
Dividends reinvested	369,829	4,826,274
Shares redeemed	(4,260,365)	(57,983,793)
Net decrease	(2,616,667)	$ (35,627,151)
Class S:		
Shares sold	203,959	$ 2,819,665
Dividends reinvested	47,102	623,154
Shares redeemed	(510,049)	(7,065,304)
Net decrease	(258,988)	$ (3,622,485)

NOTE 6—Tax Character of Distributions to Shareholders:

The tax character of distributions paid during the six months ended June 30, 2006 and the year ended December 31, 2005, were as follows:

	Six Months Ended June 30, 2006	Year Ended December 31, 2005
Distributions paid from:		
Ordinary Income	$14,869,576	$ 5,449,428
Long-Term capital gains	5,432,523	—
Total distributions paid	$20,302,099	$ 5,449,428

As of December 31, 2005, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	14,868,793
Undistributed long-term gain	5,432,348
Unrealized appreciation (depreciation)	15,081,130

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is determined annually and is attributable primarily to the tax deferral of losses on wash sales and the tax treatment of premium/discount on debt securities. Tax basis unrealized appreciation as of June 30, 2006, does not reflect any potential adjustments subsequent to December 31, 2005.

NOTE 7—Litigation:

Alger Management has responded to inquiries, document requests and/or subpoenas from regulatory authorities, including the United States Securities and Exchange Commission ("SEC"), the Office of the New York State Attorney General, the Attorney General of New Jersey, and the West Virginia Securities Commissioner, in connection with their investigations of practices in the mutual fund industry identified as "market timing" and "late trading."

On December 16, 2005, Alger Management received from the staff of the SEC a "Wells Notice" which indicated that the staff intends to recommend that the Commission bring civil enforcement action for possible violations of the federal securities laws. "Wells Notices" also have been sent to certain companies affiliated with Alger Management, as well as certain present and former members of its senior management. The Wells Notices arose out of the SEC's staff ongoing investigation of market timing and late trading practices in the mutual fund industry. Alger Management and the other recipients have the opportunity to respond to the staff before the staff makes a formal recommendation. Alger Management submitted a response in January 2006.

On June 7, 2006, Alger Management, its parent, Alger Inc., and their affiliated companies reached an agreement in principle with the staff of the New York Regional Office of the SEC and with the staff of the New York State Attorney General's office ("NYAG") resolving all issues with the SEC and the NYAG related to the allegations of mutual fund market timing and late trading that were the subject of the December 2005 Wells Notice. Alger Management and Alger Inc. are working with the staff of the SEC and the NYAG to finalize the agreement. The agreement is subject to the approval of the SEC and the NYAG. In the proposed settlement agreement, without admitting or denying liability, the firm will consent to the payment of $30 million dollars to reimburse fund shareholders; a fine of $10 million; and certain other remedial measures including a reduction in management fees of $1 million per year for five years. The entire $40 million and fee reduction will be available for the benefit of investors. Alger Management has advised the Fund that the proposed settlement payment is not expected to adversely affect the operations of the Manager, Alger Inc. or their affilates, or adversely affect their ability to continue to provide services to the Fund.

On August 31, 2005, the West Virginia Securities Commissioner in an ex parte Summary Order to Cease and Desist and Notice of Right to Hearing concluded that Alger Management and Alger Inc. had violated the West Virginia Uniform Securities Act, and ordered Alger Management and Alger Inc. to cease and desist from further violations of the Act by engaging in the market-timing related conduct described in the order. The ex parte order provided notice of their right to a hearing with respect to the violations of law asserted by the Commissioner. Other firms unaffiliated with Alger Management were served with similar orders. Alger Management and Alger Inc. intend to request a hearing for the purpose of seeking to vacate or modify the order.

In addition, in 2003 and 2004 several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including Alger Management, certain mutual funds managed by Alger Management (the "Alger Mutual Funds"), and certain current and former Alger Mutual Fund trustees and officers, alleging wrongful conduct related to market-timing and late-trading by mutual fund shareholders. These cases were transferred to the U.S. District Court of Maryland by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings. In September 2004, consolidated amended complaints involving these cases (not yet including the West Virginia action) — a Consolidated Amended Fund Derivative Complaint (the "Derivative Complaint") and two substantially identical Consolidated Amended Class Action Complaints (together, the "Class Action Complaint") — were filed in the Maryland federal district court under the caption number 1:04-MD-15863 (JFM). In April 2005, a civil lawsuit involving similar allegations was filed by the West Virginia Attorney General and also transferred to the Maryland District Court.

The Derivative Complaint alleged (i) violations, by Alger Management and, depending on the specific offense alleged, by its immediate parent, Alger Inc., which is the Distributor of the Alger Mutual Funds, and/or the fund trustee defendants, of Sections 36(a), 36(b), 47, and 48 of the Investment Company Act of 1940 (the "Investment Company Act") and of Sections 206 and 215 of the Investment Advisers Act of 1940, breach of fiduciary duty, and breach of contract, (ii) various offenses by other third-party defendants, and (iii) unjust enrichment by all the named defendants. The Class Action Complaint alleged, in addition to the offenses listed above, (i) violations, by Alger Management, Alger Inc., their affiliates, the funds named as defendants, and the current and former fund trustees and officers, of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, Sections 10(b) (and Rule 10b-5 thereunder) and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and Section 34(b) of the Investment Company Act of 1940, (ii) breach of contract by the funds named as defendants, and (iii) unjust enrichment of the defendants. The West Virginia attorney general action also alleges violations of the West Virginia Consumer Credit and Protection Act and other wrongful conduct.

Motions to dismiss the Class Action Complaint and the Derivative Complaint were subsequently filed. On November 3, 2005, the district court issued letter rulings dismissing both complaints in their entirety with respect to the Alger Mutual Funds and dismissing all claims against the other Alger defendants, other than the claims under the 1934 Act and Section 36(b) of the Investment Company Act (as to which the court deferred ruling with respect to the Alger Mutual Fund Trustees), with leave to the class action plaintiffs to file amended complaints against those defendants with respect to claims under state law. Orders implementing the letter rulings are being entered. On January 11, 2006, the Alger defendants filed a motion for partial reconsideration of the district court's ruling with respect to the Section 10(b), Rule 10b-5 and Section 36(b) claims against them; the district court denied the motion on February 9, 2006.

Alger Management does not believe that the Alger Mutual Funds are themselves targets of the regulatory investigations as potential enforcement defendants.

The SEC and, in some cases, state government authorities have a variety of administrative and civil enforcement powers, including injunctive powers, authority to assess fines and penalties and order restitution, authority to limit the activities of a person or company and other enforcement powers, that may be exercised administratively or through the courts.

June 30, 2006

Under Section 9(a) of the Investment Company Act, if any of the various regulatory proceedings or lawsuits were to result in a court injunction against Alger Management or Alger Inc., Alger Management would, in the absence of exemptive relief granted by the SEC, be barred from serving as investment adviser/sub-adviser for any registered investment company, including the Fund. While exemptive relief from Section 9(a) has been granted in certain other cases, there is no assurance that such exemptive relief would be granted if sought. In addition, it is possible that these matters and/or other developments resulting from these matters could result in loss of Alger Management personnel, diversion of time and attention of Alger Management personnel, diminishment of financial resources of Alger Management, or other consequences potentially adverse to the Fund. Alger Management cannot predict the potential effect of such actions upon Alger Management or the Fund. There can be no assurance that the effect, if any, would not be material.

The Alger American Fund
Alger American Balanced Portfolio
Additional Information (Unaudited)
Shareholder Expense Example (Unaudited)

As a shareholder of the Portfolio, you incur two types of costs: transaction costs, if applicable; and ongoing costs, including management fees, distribution (12b-1) fees, if applicable, and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The example below is based on an investment of $1,000 invested at the beginning of the six-month period starting January 1, 2006 and ending June 30, 2006.

Actual Expenses

The first line for each class of shares in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you would have paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During the Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each class of shares in the table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio’s actual expense ratios for each class of shares and an assumed rate of return of 5% per year before expenses, which is not the Portfolio’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs or deduction of insurance charges against assets or annuities. Therefore, the second line under each class of shares in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

		Beginning Account Value January 1, 2006	Ending Account Value June 30, 2006	Expenses Paid During the Period January 1, 2006 to June 30, 2006(b)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2006(c)
Class O	**Actual**	$1,000.00	$ 978.90	$4.02	0.82%
	Hypothetical(a)	1,000.00	1,020.73	4.11	0.82
Class S	**Actual**	1,000.00	977.40	5.30	1.08
	Hypothetical(a)	1,000.00	1,019.44	5.41	1.08

(a) 5% annual return before expenses.
(b) Expenses are equal to the annualized expense ratio of the respective share class, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).
(c) Annualized.

Proxy Voting Policies

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities and the proxy voting record is available, without charge, by calling (800) 992-3863 or online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov.

Quarterly Fund Holdings

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q. Forms N-Q are available online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov. The Portfolio's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. A copy of the most recent quarterly holdings may also be obtained from the Fund by calling (800) 992-3863.

The Alger American Fund

Alger American
Leveraged AllCap Portfolio

Semi-Annual Report

June 30, 2006

(Unaudited)

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Dear Shareholders,

August 9, 2006

Over the six months ending June 30, 2006, the U.S. economy saw rapid growth during the first quarter, followed by a steadier, less dramatic growth in the second quarter. That shift led to wild swings in sentiment and attitude, with the robust growth of the first quarter fostering concerns about inflation and runaway growth, while the cooling in the second quarter led to fears of a faltering economy and a weak housing market.

However, contrary to the headlines of the day, international tensions, and some seemingly extreme market swings, we think there has been little fundamental change in either the economy or on the corporate earnings front since the end of 2005. Earnings have stayed elevated; the economy has remained in a growth groove; job creation and wage growth have been a shade weaker than expected; and inflation worries have been raised. But on the whole, the year has been uneventful, with the only drama being reactions to the Federal Open Market Committee (FOMC) and to whispers, rumors and uncertainty about when it would stop raising short-term interest rates.

After new Fed Chairman Ben Bernanke appeared before the U.S. Congress on April 27th, it was widely believed that the Fed would stop before the summer. After subsequent hawkish statements by Bernanke and others in May, the markets sold off sharply, and then stabilized ahead of another rate increase at the Fed meeting in June, from 5.00% to 5.25% – the 17th consecutive increase since June 2004 and the third rate hike in 2006 alone.

The result was that at the mid-point of 2006, the economy – with the exception of a cooling housing market – was largely in the same spot it had been in when it began the year. Despite the increases, rates remain low relative to historical standards, and fears notwithstanding, core inflation, at less than 2.5%, is very tame compared to the past. As for the markets, after the May sell-off, the major indices remained mixed with the Dow Jones Industrials up 5.22%, the Standard & Poor's 500 Index up 2.71% and the NASDAQ down 1.50% for the six months ending June 30, 2006. Foreign and emerging markets, which sold off more sharply in May than the U.S. market did, were still up considerably for the year.

Finally, on August 8, after this reporting period came to a close, the Fed finally halted its rate increase. Whether that constitutes a pause or an end to this particular cycle, we don't know. But we do know that even if rates were to increase a few times more, we are near a peak, and any peak below 6% is very low by historical standards. The point, simply, is that in our view, neither rates nor inflation are high enough on a relative historical basis to act as a severe brake on either economic growth or more to the point, corporate earnings growth. In fact, relative to earnings, the markets are increasingly less expensive. Moreover, the relentless focus on "what the Fed will do" has obscured what companies are doing. At Alger, we keep an eye on the Fed, but we focus instead on dynamic companies, their fundamentals, and the world they are creating.

Portfolio Matters

The Alger American Leveraged AllCap Portfolio gained 3.02% for the six months ended June 30, 2006, compared to the Russell 3000 Growth Index[1] return of -0.32%.

Information technology represented an average weight of 27.12% of the Portfolio's holdings, an overweight to the benchmark and outperformed. Strong IT performers included VeriFone, Network Appliance Inc., and FormFactor Inc. During the past six months, we made minor shifts in our IT weightings out of internet services and solidified our weight in peripherals and semiconductors.

At an average weight of 14.29% our holdings in the health care sector were also overweight the benchmark but underperformed. The Portfolio's healthcare holdings included performances from WellCare Group, Inc., Hologic, Inc., a developer and manufacturer of proprietary x-ray systems, and Vertex Pharmaceuticals, Inc.

The Portfolio's industrial holdings, at an average weight of 11.50%, were underweight to the benchmark and outperformed. Strong performers included Terex Corp., Caterpillar, Inc., and United Technologies Corp.

In the consumer discretionary sector, the Portfolio was overweight at 13.10% compared to the benchmark, and underperformed despite substantial returns by Focus Media Holdings Ltd., the largest outdoor TV advertising network in China, GTECH Holdings Corp., a leading gaming technology and services company, and the Walt Disney Co.

Energy stocks accounted for an average weight of 8.58%, and outperformed the benchmark with good returns from National Oilwell Varco Inc., a leading oil and gas drilling company, Valero Energy Corp., and Peabody Energy Corp.

Looking Ahead

We want you to know that we value the trust you have placed in Alger. We will continue to look for dynamic, forward-looking companies that are creating the business and marketplaces of tomorrow, bringing growth opportunities to our investors.

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

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(1) Russell 3000 Growth Index is an unmanaged index designed to measure the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

You can not invest directly in any index.

The views and opinions of the Fund's management and the portfolio holdings described in this report are as of June 30, 2006 and are subject to change at any time subsequent to this date. There is no guarantee that any of the assumptions that formed the basis for the opinions stated herein are accurate or that they will materialize. Moreover, the information forming the basis for such assumptions is from sources believed to be reliable, however, there is no guarantee that such information is accurate. Any securities mentioned, whether owned in a portfolio or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a portfolio and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a portfolio.

A Word About Risk

Growth stocks tend to be more volatile than other stocks as the price of growth stocks tends to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. Portfolios that participate in leveraging, such as the Leveraged AllCap Portfolio, are subject to the risk that borrowing money to leverage will exceed the returns for securities purchased or that the securities purchased may actually go down in value; thus, the portfolio's net asset value can decrease more quickly than if the portfolio had not borrowed. For a more detailed discussion of the risks associated with the Portfolio, please see the Fund's Prospectus.

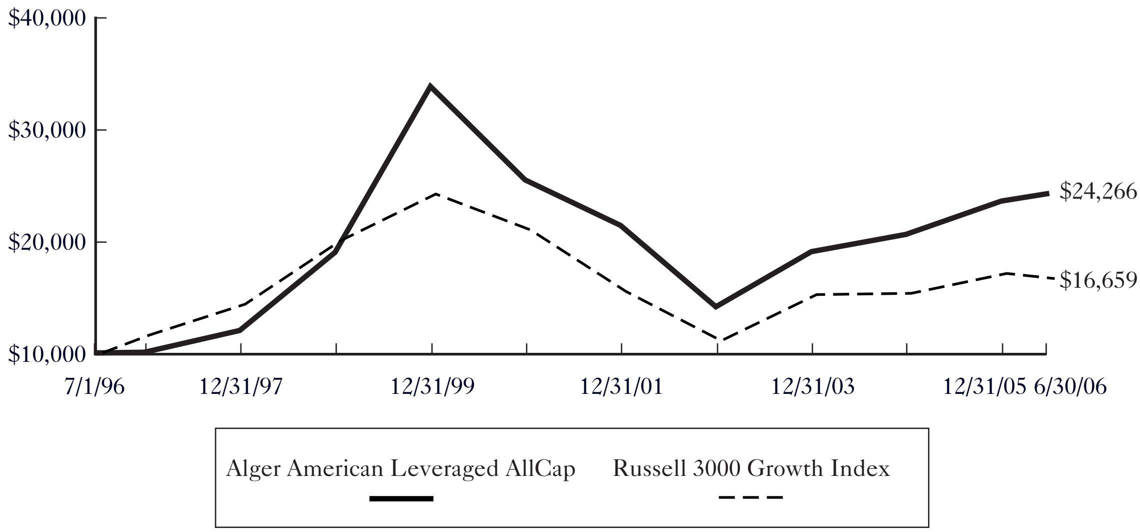
Mutual funds are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by banks, and are subject to investment risks, including possible loss of principal amount invested.

Before investing in any portfolio in The Alger American Fund, investors should consider the Portfolio's investment objective, risks and charges and expenses carefully before investing. The Fund's prospectus contains this and other information about the Portfolio, and may be obtained by asking your financial advisor, calling us at (800) 254-3797, or visiting our website at www.alger.com, or contacting the Fund's distributor, Fred Alger & Company, Incorporated, 30 Montgomery Street, Jersey City, New Jersey 07302. Read the prospectus carefully before investing.

ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

Portfolio Highlights Through June 30, 2006 (Unaudited)

HYPOTHETICAL $10,000 INVESTMENT—10 Years Ended June 30, 2006



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in Alger American Leveraged AllCap Class O shares and the Russell 3000 Growth Index for the ten years ended June 30, 2006. Figures for the Alger American Leveraged AllCap Class O shares and the Russell 3000 Growth Index (an unmanaged index of common stocks), include reinvestment of dividends. Performance for Alger American Leveraged AllCap Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON THROUGH June 30, 2006

	Average Annual Total Returns			
	1 Year	5 Years	10 Years	Since Inception
Class O (Inception 1/25/95)	16.67%	1.34%	9.27%	14.53%
Russell 3000 Growth Index	6.85%	(0.44)%	5.24%	8.40%
Class S (Inception 5/1/02)	16.35%	—	—	5.39%
Russell 3000 Growth Index	6.85%	—	—	3.94%

The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance current to the most recent month-end, visit us at www.alger.com, or call us at (800) 254-3797.

Returns indicated assume reinvestment of all distributions, no transaction costs or taxes, and are net of management fees and fund operating expenses only. Total return does not include deductions at the Portfolio or contract level for cost of insurance charges, premium load, administrative charges, mortality and expense risk charges or other charges that may be incurred under the variable annuity contract, variable life insurance plan or retirement plan for which the Portfolio serves as an underlying investment vehicle. If these charges were deducted, the total return figures would be lower. Please refer to the variable insurance product or retirement plan disclosure documents for any additional applicable expenses. Investing in the stock market involves gains and losses and may not be suitable for all investors.

The Alger American Fund
American Leveraged AllCap Portfolio
Portfolio Summary* (Unaudited)

Sectors	
Consumer Discretionary	7.6%
Consumer Staples	6.2
Energy	6.2
Financials	9.9
Health Care	14.6
Industrials	9.9
Information Technology	25.6
Materials	11.3
Telecommunication Services	8.2
Cash and Net Other Assets	0.5
	100.0%

* Based on net assets.

The Alger American Fund
Alger American Leveraged AllCap Portfolio
Schedule of Investments—June 30, 2006 (Unaudited)

Shares	COMMON STOCKS—99.5%	Value
	AEROSPACE & DEFENSE—1.8%	
134,500	BE Aerospace, Inc.*	$ 3,074,670
34,300	United Technologies Corporation	2,175,306
		5,249,976
	AIR FREIGHT & LOGISTICS—.2%	
25,100	UTI Worldwide, Inc.	633,273
	BIOTECHNOLOGY—2.7%	
46,200	Amgen Inc.	3,013,626
42,600	Gilead Sciences, Inc.	2,520,216
37,600	Myogen, Inc.*	1,090,400
27,100	Vertex Pharmaceuticals Incorporated*	994,841
		7,619,083
	CAPITAL MARKETS—1.6%	
17,650	Bear Stearns Companies Inc.	2,472,412
21,800	Legg Mason, Inc.	2,169,536
		4,641,948
	CHEMICALS—.4%	
37,900	Zoltek Companies, Inc.*	1,132,831
	COMMERCIAL BANKS—2.0%	
116,700	Bank of America Corporation	5,613,270
	COMMERCIAL SERVICES & SUPPLIES—.5%	
48,250	Net 1 UEPS Technologies, Inc.*	1,319,638
	COMMUNICATION EQUIPMENT—2.7%	
62,100	Comverse Technology, Inc.*	1,227,717
238,500	Motorola, Inc.	4,805,775
40,350	QUALCOMM Inc.	1,616,825
		7,650,317
	COMPUTERS & PERIPHERALS—2.0%	
186,500	Mobility Electronics, Inc.*	1,353,990
117,500	Network Appliance, Inc.*	4,147,750
18,800	Palm, Inc.*	302,680
		5,804,420
	COMPUTER TECHNOLOGY—.5%	
34,200	NAVTEQ*	1,528,056
	CONSTRUCTION & ENGINEERING—.6%	
34,700	McDermott International, Inc.*	1,577,809
	DIVERSIFIED TELECOMMUNICATION SERVICES—3.3%	
149,100	ALLTEL Corporation	9,517,053
	DRUGS & PHARMACEUTICALS—.4%	
19,700	United Therapeutics Corporation*	1,138,069

Shares		Value
	ENERGY EQUIPMENT & SERVICES—2.0%	
48,200	National-Oilwell Varco Inc.*	$ 3,052,024
34,600	Transocean Inc.*	2,779,072
		5,831,096
	FINANCIAL INFORMATION SERVICES—3.1%	
121,300	Genworth Financial Inc. Cl. A	4,226,092
85,350	GFI Group Inc.*	4,604,633
		8,830,725
	FINANCIAL SERVICES—1.2%	
31,800	International Securities Exchange, Inc. Cl. A	1,210,626
4,850	Chicago Mercantile Exchange Holdings Inc.	2,382,078
		3,592,704
	FOOD & STAPLES RETAILING—2.9%	
273,800	CVS Corporation	8,405,660
	FREIGHT & LOGISTICS—1.0%	
23,800	FedEx Corp.	2,781,268
	HEALTH CARE EQUIPMENT & SUPPLIES—2.6%	
65,600	Boston Scientific Corporation*	1,104,704
60,700	Hologic, Inc.*	2,996,152
74,600	Ventana Medical Systems, Inc.*	3,519,628
		7,620,484
	HEALTH CARE PROVIDERS & SERVICES—4.2%	
142,600	Aetna Inc.	5,694,018
85,000	Health Net Inc.*	3,839,450
60,020	UnitedHealth Group Incorporated	2,687,696
		12,221,164
	HOTELS, RESTAURANTS & LEISURE—1.6%	
98,800	GTECH Holdings Corporation	3,436,264
31,050	MGM MIRAGE	1,266,840
		4,703,104
	HOUSEHOLD PRODUCTS—1.8%	
93,727	Procter & Gamble Company	5,211,221
	INDUSTRIAL CONGLOMERATES—1.9%	
167,000	General Electric Company	5,504,320
	INSURANCE—2.0%	
89,750	Endurance Specialty Holdings Limited	2,872,000
33,800	Hartford Financial Services Group, Inc. (The)	2,859,480
		5,731,480
	INTERNET & CATALOG RETAIL—.7%	
72,500	eBay Inc.*	2,123,525

Shares	COMMON STOCKS (Cont'd)	Value
	INTERNET SOFTWARE & SERVICES—6.4%	
79,100	DealerTrack Holdings Inc.*	$ 1,748,900
4,400	Google Inc. Cl. A*	1,845,052
66,350	Openwave Systems, Inc.*	765,679
424,850	Yahoo! Inc.*	14,020,050
		18,379,681
	IT SERVICES—.6%	
62,300	Wright Express Corp.*	1,790,502
	MACHINERY—2.9%	
30,400	ESCO Technologies Inc.*	1,624,880
68,250	Terex Corporation*	6,736,275
		8,361,155
	MEDIA—3.3%	
63,850	Focus Media Holding Limited ADR*#	4,160,466
115,900	NeuStar, Inc. Cl. A*	3,911,625
97,550	XM Satellite Radio Holdings Inc. Cl. A*	1,429,108
		9,501,199
	METALS & MINING—2.1%	
1,981,850	Breakwater Resources, Ltd.*	2,219,672
801,200	Paladin Resources Limited*	2,463,690
54,200	Vedanta Resources PLC	1,366,759
		6,050,121
	MULTILINE RETAIL—2.8%	
139,900	Federated Department Stores, Inc.	5,120,340
49,700	Kohl's Corporation*	2,938,264
		8,058,604
	OIL AND GAS EXPLORATION SERVICES—.3%	
60,100	Petrobank Energy and Resources Ltd.*	811,951
	OIL & GAS—7.5%	
31,300	Denbury Resources Inc.*	991,271
91,600	Exxon Mobil Corporation	5,619,660
225,700	Valero Energy Corporation	15,013,564
		21,624,495
	PHARMACEUTICALS—2.4%	
39,750	Novartis AG ADR#	2,143,320
157,100	Salix Pharmaceuticals, Ltd.*	1,932,330
88,785	Teva Pharmaceutical Industries Ltd. ADR#	2,804,717
		6,880,367

Shares			Value
	PHARMACEUTICAL PREPARATIONS—1.9%		
124,500	Adams Respiratory Therapeutics, Inc.*		$ 5,555,190
	ROAD & RAIL—1.1%		
40,550	Burlington Northern Santa Fe Corporation		3,213,588
	SEMICONDUCTOR CAPITAL EQUIPMENT—1.5%		
97,299	FormFactor Inc.*		4,342,454
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—9.0%		
198,850	Applied Micro Circuits Corporation*		542,860
942,000	ATI Technologies Inc.*		13,753,200
29,500	Marvell Technology Group Ltd.*		1,307,735
114,200	Microsemi Corporation*		2,784,196
155,400	Tessera Technologies Inc.*		4,273,500
169,500	Trident Microsystems, Inc.*		3,217,110
			25,878,601
	SOFTWARE—3.7%		
304,900	Microsoft Corporation		7,104,170
113,900	VeriFone Holdings Inc.*		3,471,672
			10,575,842
	SPECIALTY RETAIL—.8%		
87,400	PETsMART, Inc.		2,237,440
	TEXTILES, APPAREL & LUXURY GOODS—.7%		
38,200	Polo Ralph Lauren Corporation Cl. A		2,097,180
	TOBACCO—2.6%		
101,000	Altria Group, Inc.		7,416,430
	TRANSPORTATION—2.6%		
79,700	Textron Inc.		7,346,746
	WIRELESS TELECOMMUNICATION SERVICES—3.6%		
66,850	America Movil S.A. de C.V. Series L ADR#		2,223,431
110,542	American Tower Corporation Cl. A*		3,440,067
80,700	NII Holdings Inc. Cl. B*		4,549,866
			10,213,364
	Total Common Stocks (Cost $273,470,300)		286,317,404
Principal Amount	**SHORT-TERM INVESTMENTS—1.2%**		
	U.S. AGENCY OBLIGATIONS		
$135,426,000	Federal Home Loan Banks 4.65%, 7/3/06 (Cost $3,343,136)		$ 3,343,136
Total Investments (Cost $276,813,436)(a)		100.7%	289,660,540
Liabilities in Excess of Other Assets		(0.7)	(1,888,180)
Net Assets		100.0%	$287,772,360

* Non-income producing security.
\# American Depositary Receipts.
(a) At June 30, 2006, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $276,908,079 amounted to $12,752,461 which consisted of aggregate gross unrealized appreciation of $22,739,185 and aggregate gross unrealized depreciation of $9,986,724.

See Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

June 30, 2006

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	$ 289,660,540
Receivable for investment securities sold	15,963,596
Receivable for shares of beneficial interest sold	238,462
Interest and dividends receivable	249,438
Prepaid expenses	4,835
Total Assets	306,116,871
Liabilities:	
Payable for investment securities purchased	17,612,718
Bank overdraft	3,503
Payable for shares of beneficial interest redeemed	444,632
Accrued investment management fees	195,594
Accrued expenses	88,064
Total Liabilities	18,344,511
Net Assets	$ 287,772,360
Net Assets Consist of:	
Paid-in capital	$ 409,051,108
Net investment loss	(35,127)
Net realized accumulated loss	(134,090,725)
Net unrealized appreciation	12,847,104
Net Assets	$ 287,772,360
Class O	
Net Asset Value Per Share	$35.83
Class S	
Net Asset Value Per Share	$35.43
Shares of beneficial interest outstanding—Note 5	
Class O	7,389,127
Class S	649,777
*Identified cost	$ 276,813,436

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF OPERATIONS (UNAUDITED)

For the six months ended June 30, 2006

INVESTMENT INCOME	
Interest	$ 99,156
Dividends (net of foreign withholding taxes*)	1,397,764
Total Income	1,496,920
EXPENSES:	
Management fees—Note 3(a)	1,334,604
Custodian fees	27,901
Professional fees	11,181
Transfer agent fees	69,466
Printing fees	54,610
Distribution fees—Note 3(b) Class S	25,822
Trustees' fees	992
Miscellaneous	7,471
Total Expenses	1,532,047
Net Investment Loss	(35,127)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized gain on investments	34,337,279
Net change in unrealized appreciation (depreciation) on investments	(23,429,837)
Net realized and unrealized gain on investments	10,907,442
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 10,872,315
*Foreign withholding taxes	$ 1,576

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

For the six months ended June 30, 2006

Net investment loss	$ (35,127)
Net realized gain on investments	34,337,279
Net change in unrealized appreciation (depreciation) on investments	(23,429,837)
Net increase in net assets resulting from operations	10,872,315
Increase (decrease) from shares of beneficial interest transactions:	
Class O	(44,083,972)
Class S	4,686,882
Net decrease from shares of beneficial interest transactions—Note 5	(39,397,090)
Total decrease	(28,524,775)
Net Assets	
Beginning of period	316,297,135
End of period	$ 287,772,360
Accumulated loss	$ (35,127)

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2005

Net investment loss	$ (336,618)
Net realized gain on investments	58,124,065
Net change in unrealized appreciation (depreciation) on investments	(11,579,064)
Net increase in net assets resulting from operations	46,208,383
Increase (decrease) from shares of beneficial interest transactions:	
Class O*	(126,082,841)
Class S	2,063,932
Net decrease from shares of beneficial interest transactions—Note 5	(124,018,909)
Total decrease	(77,810,526)
Net Assets	
Beginning of year	394,107,661
End of year	$ 316,297,135
* Includes securities redeemed-in-kind, at value	$ (74,200,551)

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS *(Cont'd)*

For a share outstanding throughout the period

	Net Asset Value, Beginning of Period	Income from Investment Operations: Net Investment Income (Loss)	Income from Investment Operations: Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions from Net Realized Gains	Net Asset Value, End of Period
Class O						
Six months ended 6/30/06(i)(iv)	$34.78	$(0.10)	$ 1.15	$ 1.05	$ —	$35.83
Year ended 12/31/05	30.39	(0.21)	4.60	4.39	—	34.78
Year ended 12/31/04	28.09	(0.07)	2.37	2.30	—	30.39
Year ended 12/31/03	20.85	(0.07)	7.31	7.24	—	28.09
Year ended 12/31/02	31.55	(0.14)	(10.56)	(10.70)	—	20.85
Year ended 12/31/01	38.80	0.00(iii)	(6.06)	(6.06)	(1.19)	31.55
Class S						
Six months ended 6/30/06(i)(iv)	$34.44	$ 0.00	$ 0.99	$ 0.99	$ —	$35.43
Year ended 12/31/05	30.17	(0.08)	4.35	4.27	—	34.44
Year ended 12/31/04	27.96	(0.04)	2.25	2.21	—	30.17
Year ended 12/31/03	20.83	(0.16)	7.29	7.13	—	27.96
Eight months ended 12/31/02(i)(ii)	28.46	(0.02)	(7.61)	(7.63)	—	20.83

(i) Ratios have been annualized; total return has not been annualized.
(ii) Commenced operations May 1, 2002.
(iii) Amount was computed based on average shares outstanding during the period.
(iv) Unaudited.

See Notes to Financial Statements.

	Ratios/Supplemental Data			
Total Return	Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
3.02%	$264,748	0.96%	(0.01)%	116.84%
14.45	298,410	0.91	(0.08)	130.14
8.19	380,336	0.97	(0.14)	182.41
34.72	382,289	0.97	(0.36)	161.71
(33.91)	271,373	0.96	(0.49)	203.05
(15.93)	443,209	0.92	0.00	103.03
2.87%	$ 23,024	1.21%	(0.26)%	116.84%
14.15	17,887	1.16	(0.33)	130.14
7.90	13,772	1.22	(0.31)	182.41
34.23	7,328	1.21	(0.63)	161.71
(26.81)	281	1.32	(0.92)	203.05

See Notes to Financial Statements.

NOTE 1—General:

The Alger American Fund (the "Fund") is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the Alger American Leveraged AllCap Portfolio (the "Portfolio"). The Portfolio invests primarily in equity securities and each has an investment objective of long-term capital appreciation. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

The Portfolio offers Class O and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

NOTE 2—Significant Accounting Policies:

(a) ***Investment Valuation:*** Investments of the Portfolio are generally valued on each day the New York Stock Exchange (the "NYSE") is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed securities for which such information is readily available are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and asked price or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued. Securities included within the Nasdaq market are valued at the Nasdaq official closing price ("NOCP") on the day of valuation, or if there is no NOCP issued, at the last sale price on such day. Securities included within the Nasdaq market for which there is no NOCP and no last sale price on the day of valuation are valued at the mean between the last bid and asked prices on such day.

Securities for which market quotations are not readily available or for which the market quotation does not, in the opinion of the investment manager, reflects the securities true value are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

Securities in which the Portfolio invests may be traded in markets that close before the close of the NYSE. Normally, developments that occur between the close of the foreign markets and the close of the NYSE (normally 4:00 p.m. Eastern time) will not be reflected in the Portfolio's net asset values. However, if it be determined that such developments are so significant that they will materially affect the value of the Portfolio's securities, the Portfolio may adjust the previous closing prices to reflect what the investment manager, under the direction of the Board of Trustees, believes to be the fair value of these securities as of the close of the NYSE. The Portfolio may also fair value securities in other situations, for example, when a particular foreign market is closed but the Portfolio is open.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) ***Security Transactions and Investment Income:*** Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

Premiums and discounts on debt securities purchased are amortized or accreted over the lives of the respective securities.

(c) ***Foreign Currency Transactions:*** The books and records of the Portfolio are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the prevailing rates of exchange on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of such transactions.

Net realized gains and losses on foreign currency transactions represent net gains and losses from the disposition of foreign currencies, currency gains and losses realized between the trade dates and settlement dates of security transactions, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are included in realized and unrealized gain or loss on investments in the Statement of Operations.

(d) ***Repurchase Agreements:*** The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(e) ***Lending of Portfolio Securities:*** The Portfolio may lend its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day. There were no securities on loan during the six months ended June 30, 2006.

(f) ***Dividends to Shareholders:*** Dividends payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

Each class is treated separately in determining the amounts of dividends of net investment income and capital gains payable to holders of its shares.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio's distributions may be shown in the accompanying financial statements as either from, or in excess of, net investment income or net realized gain on investment transactions, or return of capital, depending on the type of book/tax differences that may exist.

Capital accounts within the financial statements are adjusted for permanent book/tax differences. Reclassifications result primarily from the difference in tax treatment of net operating losses, premium/discount of debt securities, and realized gains from redemptions in kind. The reclassifications had no impact on the net asset value of the Portfolio and are designed to present the Portfolio's capital accounts on a tax basis.

(g) ***Federal Income Taxes:*** It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of the taxable income, including net realized capital gains, of the Portfolio to its respective shareholders. Therefore, no federal income tax provision is required. Each Portfolio is treated as a separate entity for the purpose of determining such compliance.

(h) ***Allocation Methods:*** The Fund accounts separately for the assets, liabilities and operations of each of its portfolios. Expenses directly attributable to each portfolio are charged to that portfolio's operations; expenses which are applicable to all portfolios are allocated among them based on net assets. Income, realized and unrealized gains and losses, and expenses of the Portfolio are allocated among the Portfolio's classes based on relative net assets, with the exception of distribution fees, which are only applicable to Class S shares.

(i) ***Indemnification:*** The Fund enters into contracts that contain a variety of indemnification provisions. The Fund's maximum exposure under these arrangements is unknown. The Fund does not anticipate recognizing any loss related to these arrangements.

(j) ***Other:*** These financial statements have been prepared in accordance with U.S. generally accepted accounting principles using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) ***Investment Management Fees:*** Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at an annual rate of .85%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, of the Portfolio exceed 1.50% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

(b) ***Distribution Fees:*** Class S shares—The Fund has adopted a Distribution Plan pursuant to which Class S shares of the Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor"), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by the Distributor.

(c) ***Brokerage Commissions:*** During the six months ended June 30, 2006, the Portfolio paid the Distributor $404,444 in connection with securities transactions.

(d) ***Shareholder Administrative Fees:*** The Fund has entered into a shareholder administrative service agreement with Alger Shareholder Services, Inc. ("Alger Services") to compensate Alger Services on a per account basis for its liaison and administrative oversight of the transfer agent and related services. During the six months ended June 30, 2006, the Portfolio incurred fees of $121 for these services.

(e) ***Other:*** Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor and Alger Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, for the six months ended June 30, 2006, were $354,070,704 and $387,137,072, respectively.

NOTE 5—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value which are divided into six series. Each series is divided into two separate classes.

During the six months ended June 30, 2006, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	578,491	$ 21,162,946
Shares redeemed	(1,770,044)	(65,246,918)
Net decrease	(1,191,553)	$ (44,083,972)
Class S:		
Shares sold	223,006	$ 8,084,116
Shares redeemed	(92,661)	(3,397,234)
Net increase	130,345	$ 4,686,882

During the year ended December 31, 2005, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	1,040,839	$ 33,263,898
Shares redeemed	(4,973,709)	(159,346,739)
Net decrease	(3,932,870)	$(126,082,841)
Class S:		
Shares sold	137,584	$ 4,384,234
Shares redeemed	(74,576)	(2,320,302)
Net increase	63,008	$ 2,063,932

NOTE 6—Tax Character of Distributions to Shareholders:

During the six months ended June 30, 2006 and the year ended December 31, 2005, there were no distributions paid.

As of December 31, 2005, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ —
Undistributed long-term gain	—
Other loss deferral	(5,199)
Unrealized appreciation (depreciation)	36,182,298

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is determined annually and is attributable primarily to the tax deferral of losses on wash sales and the tax treatment of premium/discount on debt securities. Tax basis unrealized appreciation as of June 30, 2006, does not reflect any potential adjustments subsequent to December 31, 2005.

At December 31, 2005, the Portfolio, for federal income tax purposes, had capital loss carryforwards which expire as set forth in the table below. These amounts may be applied against future net realized gains until the earlier of their utilization or expiration.

Expiration Date			
2009	2010	2011	Total
$ 70,340,391	97,987,772	—	$168,328,163

NOTE 7—Litigation:

Alger Management has responded to inquiries, document requests and/or subpoenas from regulatory authorities, including the United States Securities and Exchange Commission ("SEC"), the Office of the New York State Attorney General, the Attorney General of New Jersey, and the West Virginia Securities Commissioner, in connection with their investigations of practices in the mutual fund industry identified as "market timing" and "late trading."

On December 16, 2005, Alger Management received from the staff of the SEC a "Wells Notice" which indicated that the staff intends to recommend that the Commission bring civil enforcement action for possible violations of the federal securities laws. "Wells Notices" also have been sent to certain companies affiliated with Alger Management, as well as certain present and former members of its senior management. The Wells Notices arose out of the SEC's staff ongoing investigation of market timing and late trading practices in the mutual fund industry. Alger Management and the other recipients have the opportunity to respond to the staff before the staff makes a formal recommendation. Alger Management submitted a response in January 2006.

On June 7, 2006, Alger Management, its parent, Alger Inc., and their affiliated companies reached an agreement in principle with the staff of the New York Regional Office of the SEC and with the staff of the New York State Attorney General's office ("NYAG") resolving all issues with the SEC and the NYAG related to the allegations of mutual fund market timing and late trading that were the subject of the December 2005 Wells Notice. Alger Management and Alger Inc. are working with the staff of the SEC and the NYAG to finalize the agreement. The agreement is subject to the approval of the SEC and the NYAG. In the proposed settlement agreement, without admitting or denying liability, the firm will consent to the payment of $30 million dollars to reimburse fund shareholders; a fine of $10 million; and certain other remedial measures including a reduction in management fees of $1 million per year for five years. The entire $40 million and fee reduction will be available for the benefit of investors. Alger Management has advised the Fund that the proposed settlement payment is not expected to adversely affect the operations of the Manager, Alger Inc. or their affilates, or adversely affect their ability to continue to provide services to the Fund.

On August 31, 2005, the West Virginia Securities Commissioner in an ex parte Summary Order to Cease and Desist and Notice of Right to Hearing concluded that Alger Management and Alger Inc. had violated the West Virginia Uniform Securities Act, and ordered Alger Management and Alger Inc. to cease and desist from further violations of the Act by engaging in the market-timing related conduct described in the order. The ex parte order provided notice of their right to a hearing with respect to the violations of law asserted by the Commissioner. Other firms unaffiliated with Alger Management were served with similar orders. Alger Management and Alger Inc. intend to request a hearing for the purpose of seeking to vacate or modify the order.

In addition, in 2003 and 2004 several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including Alger Management, certain mutual funds managed by Alger Management (the "Alger Mutual Funds"), and certain current and former Alger Mutual Fund trustees and officers, alleging wrongful conduct related to market-timing and late-trading by mutual fund shareholders. These cases were transferred to the U.S. District Court of Maryland by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings. In September 2004, consolidated amended complaints involving these cases (not yet including the West Virginia action) — a Consolidated Amended Fund Derivative Complaint (the "Derivative Complaint") and two substantially identical Consolidated Amended Class Action Complaints (together, the "Class Action Complaint") — were filed in the Maryland federal district court under the caption number 1:04-MD-15863 (JFM). In April 2005, a civil lawsuit involving similar allegations was filed by the West Virginia Attorney General and also transferred to the Maryland District Court.

The Derivative Complaint alleged (i) violations, by Alger Management and, depending on the specific offense alleged, by its immediate parent, Alger Inc., which is the Distributor of the Alger Mutual Funds, and/or the fund trustee defendants, of Sections 36(a), 36(b), 47, and 48 of the Investment Company Act of 1940 (the "Investment Company Act") and of Sections 206 and 215 of the Investment Advisers Act of 1940, breach of fiduciary duty, and breach of contract, (ii) various offenses by other third-party defendants, and (iii) unjust enrichment by all the named defendants. The Class Action Complaint alleged, in addition to the offenses listed above, (i) violations, by Alger Management, Alger Inc., their affiliates, the funds named as defendants, and the current and former fund trustees and officers, of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, Sections 10(b) (and Rule 10b-5 thereunder) and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and Section 34(b) of the Investment Company Act of 1940, (ii) breach of contract by the funds named as defendants, and (iii) unjust enrichment of the defendants. The West Virginia attorney general action also alleges violations of the West Virginia Consumer Credit and Protection Act and other wrongful conduct.

Motions to dismiss the Class Action Complaint and the Derivative Complaint were subsequently filed. On November 3, 2005, the district court issued letter rulings dismissing both complaints in their entirety with respect to the Alger Mutual Funds and dismissing all claims against the other Alger defendants, other than the claims under the 1934 Act and Section 36(b) of the Investment Company Act (as to which the court deferred ruling with respect to the Alger Mutual Fund Trustees), with leave to the class action plaintiffs to file amended complaints against those defendants with respect to claims under state law. Orders implementing the letter rulings are being entered. On January 11, 2006, the Alger defendants filed a motion for partial reconsideration of the district court's ruling with respect to the Section 10(b), Rule 10b-5 and Section 36(b) claims against them; the district court denied the motion on February 9, 2006.

Alger Management does not believe that the Alger Mutual Funds are themselves targets of the regulatory investigations as potential enforcement defendants.

The SEC and, in some cases, state government authorities have a variety of administrative and civil enforcement powers, including injunctive powers, authority to assess fines and penalties and order restitution, authority to limit the activities of a person or company and other enforcement powers, that may be exercised administratively or through the courts.

Under Section 9(a) of the Investment Company Act, if any of the various regulatory proceedings or lawsuits were to result in a court injunction against Alger Management or Alger Inc., Alger Management would, in the absence of exemptive relief granted by the SEC, be barred from serving as investment adviser/sub-adviser for any registered investment company, including the Fund. While exemptive relief from Section 9(a) has been granted in certain other cases, there is no assurance that such exemptive relief would be granted if sought. In addition, it is possible that these matters and/or other developments resulting from these matters could result in loss of Alger Management personnel, diversion of time and attention of Alger Management personnel, diminishment of financial resources of Alger Management, or other consequences potentially adverse to the Fund. Alger Management cannot predict the potential effect of such actions upon Alger Management or the Fund. There can be no assurance that the effect, if any, would not be material.

ADDITIONAL INFORMATION (UNAUDITED)
SHAREHOLDER EXPENSE EXAMPLE (UNAUDITED)

As a shareholder of the Portfolio, you incur two types of costs: transaction costs, if applicable; and ongoing costs, including management fees, distribution (12b-1) fees, if applicable, and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The example below is based on an investment of $1,000 invested at the beginning of the six-month period starting January 1, 2006 and ending June 30, 2006.

Actual Expenses

The first line for each class of shares in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you would have paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During the Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each class of shares in the table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratios for each class of shares and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs or deduction of insurance charges against assets or annuities. Therefore, the second line under each class of shares in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

		Beginning Account Value January 1, 2006	Ending Account Value June 30, 2006	Expenses Paid During the Period January 1, 2006 to June 30, 2006(b)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2006(c)
Class O	**Actual**	$1,000.00	$1,030.20	$4.83	0.96%
	Hypothetical(a)	1,000.00	1,020.03	4.81	0.96
Class S	**Actual**	1,000.00	1,028.70	6.09	1.21
	Hypothetical(a)	1,000.00	1,018.79	6.06	1.21

(a) 5% annual return before expenses.
(b) Expenses are equal to the annualized expense ratio of the respective share class, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).
(c) Annualized.

Proxy Voting Policies

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities and the proxy voting record is available, without charge, by calling (800) 992-3863 or online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov.

Quarterly Fund Holdings

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q. Forms N-Q are available online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov. The Portfolio's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. A copy of the most recent quarterly holdings may also be obtained from the Fund by calling (800) 992-3863.

CREDIT SUISSE

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2006
(unaudited)

CREDIT SUISSE TRUST
▪ EMERGING MARKETS PORTFOLIO

Credit Suisse Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

The Trust's investment objectives, risks, charges and expenses (which should be considered carefully before investing), and more complete information about the Trust, are provided in the *Prospectus*, which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 55030, Boston, MA 02205-5030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3140. The Trust is advised by Credit Suisse Asset Management, LLC.

The views of the Portfolio's management are as of the date of the letter and the Portfolio holdings described in this document are as of June 30, 2006; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Credit Suisse Trust — Emerging Markets Portfolio
Semiannual Investment Adviser's Report
June 30, 2006 (unaudited)

July 19, 2006

Dear Shareholder:

For the six months ended June 30, 2006, Credit Suisse Trust—Emerging Markets Portfolio[1] (the "Portfolio") had a gain of 6.12%, versus an increase of 7.33% for the Morgan Stanley Capital International Emerging Markets Index.[2]

Market Overview: Positive despite turbulence

The world's emerging equity markets had positive, though volatile, performance in the period. The group started the year on a bright note, extending a strong rally begun in 2003. Emerging markets turned sharply down in May, however, when worries over US inflation and global interest-rates sparked a broad sell off that hit riskier asset classes the hardest. These worries seemed to ease in late June, after the US Federal Reserve hinted that an end to its monetary tightening cycle might be near. For the period as a whole, most emerging market countries had gains, led by China, Brazil and Russia. From a sector perspective, energy exporting companies were among the better performers, supported by high oil prices.

Strategic Review: Focus on domestic fundamentals

The Portfolio participated in the rise in emerging market equities, though it trailed its benchmark. This partly reflected the Portfolio's underweighting in certain smaller markets, such as Argentina and Indonesia, that outperformed, but where we continued to see limited opportunities. In addition, the Portfolio's Brazilian holdings, while strong performers in absolute terms, modestly trailed the benchmark's Brazil component. Factors that aided the Portfolio's performance included good stock selection in China and Russia, as well as its overweighting in the latter market through the period.

Our general strategy was to focus on countries we believe have stronger external and domestic fundamentals, and sectors more exposed to unfolding domestic growth. In Latin America, we continued to favor Brazil over Mexico and Chile, and were largely absent from the region's smaller markets. In Asia, we ended the period with a roughly neutral weighting in China, having taken some profits after a strong first quarter of 2006. Within the Eastern Europe/Middle East/Africa segment, we were overweighted in Russia, which has been a beneficiary of strength in commodity prices, and we think the trend can continue over the longer term. We are neutral South Africa, but overweight certain individual South African companies that could benefit from a strong pick-up in investment and consumer spending. Relatively unattractive valuations and weaker macro fundamentals for Central Europe kept us underweight there in the period.

Recent turbulence in emerging markets notwithstanding, and with our expectations of short-term volatility going forward, we remain positive on the longer-term fundamentals of emerging markets as an asset class. With few exceptions, we believe that the sovereign fundamentals for emerging markets have become considerably healthier, as suggested to us by the relative durability of emerging market debt and currencies (with exceptions) through the recent market volatility. We also continue to see strong domestic demand and liquidity conditions within many of our favored markets, in part reflecting the ability of some emerging market central banks to decouple from interest rate trends in the US and other major economies.

The Credit Suisse Emerging Markets Team

Neil Gregson
Annabel Betz
Jonathon S. Ong
Elizabeth H. Eaton
Matthew J.K. Hickman

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging-market investments. The Portfolio may involve a greater degree of risk than other mutual funds that seek capital growth by investing in larger, more developed markets.

In addition to historical information, this report contains forward-looking statements, which may concern, among other things, domestic and foreign market, industry and economic trends and developments and government regulation and their potential impact on the Portfolio's investments. These statements are subject to risks and uncertainties and actual trends, developments and regulations in the future and their impact on the Portfolio could be materially different from those projected, anticipated or implied. The Portfolio has no obligation to update or revise forward-looking statements.

Average Annual Returns as of June 30, 2006[1]

1 Year	5 Years	Since Inception	Inception Date
33.25%	14.30%	8.42%	12/31/97

Returns represent past performance and include change in share price and reinvestment of dividends and capital gains. ***Past performance cannot guarantee future results.*** *The current performance of the Portfolio may be lower or higher than the figures shown. Returns and share price will fluctuate, and redemption value may be more or less than original cost. The performance results do not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares. Performance includes the effect of deducting expenses, but does not include charges and expenses attributable to any particular variable contract or plan. Accordingly, the Prospectus of the sponsoring Participating Insurance Company separate account or plan documents or other informational materials supplied by plan sponsors should be carefully reviewed for information on relevant charges and expenses. Excluding these charges and expenses from quotations of performance has the effect of increasing the performance quoted, and the effect of these charges should be considered when comparing performance to that of other mutual funds. Performance information current to the most recent month-end is available at www.credit-suisse.com/us.*

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1 Fee waivers and/or expense reimbursements may reduce expenses for the Portfolio, without which performance would be lower. Waivers and/or reimbursements may be discontinued at any time.

2 The Morgan Stanley Capital International Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. It is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.

Information About Your Portfolio's Expenses

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section and which would result in higher total expenses. The following table is intended to help you understand your ongoing expenses of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The table is based on an investment of $1,000 made at the beginning of the six month period ended June 30, 2006.

The table illustrates your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.

- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs, such as sales charges (loads) or redemption fees. If these transaction costs had been included, your costs would have been higher. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expenses of owning different funds.

Expenses and Value of a $1,000 Investment for the six month period ended June 30, 2006

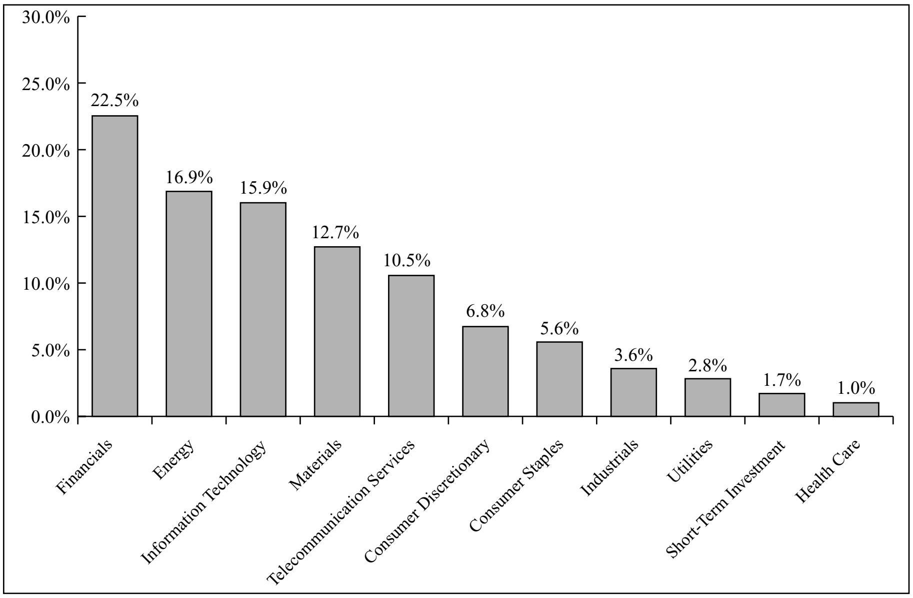
Actual Portfolio Return	
Beginning Account Value 1/1/06	$1,000.00
Ending Account Value 6/30/06	$1,061.20
Expenses Paid per $1,000*	$ 7.00
Hypothetical 5% Portfolio Return	
Beginning Account Value 1/1/06	$1,000.00
Ending Account Value 6/30/06	$1,018.00
Expenses Paid per $1,000*	$ 6.85
Annualized Expense Ratios*	1.37%

* *Expenses are equal to the Portfolio's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year period, then divided by 365.*

The "Expenses Paid per $1,000" and the "Annualized Expense Ratios" in the tables are based on actual expenses paid by the Portfolio during the period, net of fee waivers and/or expense reimbursements. If those fee waivers and/or expense reimbursements had not been in effect, the Portfolio's actual expense would have been higher. Expenses do not reflect additional charges and expenses that are, or may be, imposed under the variable contracts or plans. Such charges and expenses are described in the prospectus of the insurance company separate account or in the plan documents or other informational materials supplied by plan sponsors. The Portfolio's expenses should be considered with these charges and expenses in evaluating the overall cost of investing in the separate account.

For more information, please refer to the Portfolio's prospectus.

SECTOR BREAKDOWN*



* Expressed as a percentage of total investments (excluding security lending collateral) and may vary over time.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments
June 30, 2006 (unaudited)

	Number of Shares	Value
COMMON STOCKS (91.4%)		
Argentina (0.3%)		
Oil & Gas (0.3%)		
Repsol YPF SA ADR	24,500	$ 687,470
TOTAL ARGENTINA		687,470
Brazil (6.1%)		
Banks (0.7%)		
Unibanco - Uniao de Bancos Brasileiros SA GDR	21,100	1,400,829
Beverages (0.1%)		
Companhia de Bebidas das Americas ADR§	4,640	169,824
Commercial Services & Supplies (0.4%)		
Companhia de Saneamento de Minas Gerais - Copasa MG	102,800	854,984
Diversified Telecommunication Services (0.8%)		
Brasil Telecom Participacoes SA	42,900,000	565,921
Brasil Telecom Participacoes SA ADR§	12,600	410,382
Tele Norte Leste Participacoes SA ADR	56,000	714,000
		1,690,303
Electric Utilities (0.5%)		
Obrascon Huarte Lain Brasil SA*	82,600	915,594
Food Products (0.6%)		
Cosan SA Industria e Comercio*	20,100	1,295,576
Internet & Catalog Retail (0.2%)		
Submarino SA	24,800	498,349
Oil & Gas (2.7%)		
Petroleo Brasileiro SA - Petrobras ADR§	68,400	5,461,056
Wireless Telecommunication Services (0.1%)		
Vivo Participacoes SA§	99,700	245,262
TOTAL BRAZIL		12,531,777
Chile (0.9%)		
Electric Utilities (0.4%)		
Enersis SA ADR	78,600	884,250
Water Utilities (0.5%)		
Inversiones Aguas Metropolitanas SA ADR Rule 144A‡	52,100	1,052,420
TOTAL CHILE		1,936,670

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
China (5.2%)		
Automobiles (0.6%)		
Dongfeng Motor Corporation, Ltd. Series H*§	2,488,700	$ 1,165,415
Banks (0.5%)		
China Construction Bank Series H§	2,270,000	1,036,529
Diversified Financials (0.7%)		
Bank of China, Ltd. Series H*§	3,059,400	1,388,488
Insurance (1.4%)		
China Life Insurance Company, Ltd. Series H§	1,895,000	3,001,621
Metals & Mining (0.8%)		
Angang New Steel Company, Ltd. Series H§	1,782,000	1,692,695
Oil & Gas (0.8%)		
China Petroleum & Chemical Corp. Series H	2,764,000	1,584,677
Real Estate (0.4%)		
New World China Land, Ltd.	1,990,000	763,691
TOTAL CHINA		10,633,116
Czech Republic (0.5%)		
Electric Utilities (0.5%)		
CEZ	32,800	1,102,378
TOTAL CZECH REPUBLIC		1,102,378
Egypt (0.8%)		
Diversified Telecommunication Services (0.6%)		
Orascom Telecom Holding SAE	19,100	792,175
Vodafone Egypt Telecommunications Co. SAE	21,800	310,579
		1,102,754
Wireless Telecommunication Services (0.2%)		
Egyptian Company for Mobile Services (MobiNil)	20,788	465,969
TOTAL EGYPT		1,568,723
Hong Kong (4.1%)		
Automobiles (0.6%)		
Denway Motors, Ltd.§	4,038,000	1,355,215
Commingled Fund (1.0%)		
iShares Asia Trust - iShares FTSE/Xinhua A50 China Trader§	243,500	1,997,752
Oil & Gas (0.8%)		
CNOOC, Ltd.	2,107,000	1,692,345
Wireless Telecommunication Services (1.7%)		
China Mobile (Hong Kong), Ltd.	600,500	3,433,746
TOTAL HONG KONG		8,479,058
India (5.7%)		
Automobiles (0.3%)		
Mahindra & Mahindra, Ltd.*	48,400	655,754

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2006 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
India		
Chemicals (0.8%)		
Reliance Industries, Ltd. GDR Rule 144A‡	34,300	$ 1,591,520
Diversified Financials (0.3%)		
ICICI Bank, Ltd. ADR§	26,500	626,725
Reliance Capital Ventures, Ltd.*	52,400	28,112
		654,837
Diversified Telecommunication Services (0.6%)		
Bharti Airtel, Ltd.*	151,900	1,222,975
Electric Utilities (0.0%)		
Reliance Energy Ventures, Ltd.*	52,400	38,355
Electrical Equipment (0.5%)		
Bharat Heavy Electricals, Ltd.	25,000	1,061,248
Energy Equipment & Services (0.6%)		
Niko Resources, Ltd.	21,000	1,190,396
Gas Utilities (0.4%)		
Gail India, Ltd.	150,600	843,201
Industrial Conglomerates (0.5%)		
Grasim Industries, Ltd.*	24,300	1,022,085
IT Consulting & Services (1.0%)		
Infosys Technologies, Ltd. ADR§	14,100	1,077,381
Tata Consultancy Services, Ltd.	22,622	856,031
		1,933,412
Materials (0.5%)		
Hindalco Industries, Ltd.*	276,600	1,059,128
Oil & Gas (0.0%)		
Reliance Natural Resources, Ltd. Series L*	52,400	22,706
Wireless Telecommunication Services (0.2%)		
Reliance Communication Ventures, Ltd.*	52,400	283,454
TOTAL INDIA		11,579,071
Indonesia (1.9%)		
Banks (0.8%)		
PT Bank Mandiri	8,569,000	1,592,934
Wireless Telecommunication Services (1.1%)		
PT Telekomunikasi Indonesia Series B	2,952,500	2,357,985
TOTAL INDONESIA		3,950,919
Israel (2.8%)		
Banks (0.4%)		
Bank Hapoalim, Ltd.	172,400	751,442
Electronic Equipment & Instruments (0.4%)		
Orbotech, Ltd.*	39,400	903,442

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2006 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Israel		
Insurance (0.6%)		
Harel Insurance Investments, Ltd.	26,900	$ 1,155,389
Internet Software & Services (0.4%)		
Check Point Software Technologies, Ltd.*	52,100	915,918
Pharmaceuticals (1.0%)		
Teva Pharmaceutical Industries, Ltd. ADR	65,700	2,075,463
TOTAL ISRAEL		5,801,654
Malaysia (1.6%)		
Food Products (1.1%)		
IOI Corporation Berhad	570,200	2,220,340
Hotels, Restaurants & Leisure (0.5%)		
Genting Berhad	167,100	1,077,310
TOTAL MALAYSIA		3,297,650
Mexico (6.0%)		
Beverages (0.5%)		
Fomento Economico Mexicano SA de CV ADR	12,777	1,069,690
Construction Materials (0.9%)		
Cemex SA de CV ADR§	32,271	1,838,479
Diversified Telecommunication Services (0.3%)		
Telefonos de Mexico SA de CV ADR§	30,000	624,900
Food Products (0.4%)		
Grupo Bimbo SA de CV Series A§	240,100	723,003
Household Durables (0.4%)		
Consorcio ARA SA de CV	179,700	743,467
Media (0.5%)		
Grupo Televisa SA ADR	54,000	1,042,740
Metals & Mining (0.6%)		
Grupo Mexico SA de CV Series B	391,850	1,124,764
Multiline Retail (0.1%)		
Wal-Mart de Mexico SA de CV Series V	107,900	298,053
Real Estate (0.5%)		
Urbi Desarrollos Urbanos SA de CV*§	435,372	1,014,408
Transportation Infrastructure (0.5%)		
Grupo Aeroportuario del Pacifico SA de CV ADR	34,900	1,111,565
Wireless Telecommunication Services (1.3%)		
America Movil SA de CV ADR Series L	64,274	2,137,753
America Telecom SA de CV Class A1*§	101,700	600,957
		2,738,710
TOTAL MEXICO		12,329,779

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Russia (9.5%)		
Banks (0.9%)		
Sberbank RF	1,140	$ 1,937,949
Industrial Conglomerates (1.0%)		
Mining and Metallurgical Company Norilsk Nickel ADR§	15,200	1,976,000
Oil & Gas (6.3%)		
Gazprom	402,800	4,230,555
Gazprom ADR	53,000	2,221,215
Lukoil ADR	79,200	6,589,440
		13,041,210
Wireless Telecommunication Services (1.3%)		
AO VimpelCom ADR*§	34,900	1,599,118
Mobile Telesystems ADR*	34,400	1,012,736
		2,611,854
TOTAL RUSSIA		19,567,013
South Africa (8.9%)		
Banks (1.8%)		
FirstRand, Ltd.§	675,482	1,590,623
Standard Bank Group, Ltd.§	197,700	2,124,324
		3,714,947
Diversified Financials (0.5%)		
African Bank Investments, Ltd.	244,800	960,578
Electronic Equipment & Instruments (0.7%)		
Reunert, Ltd.	148,100	1,348,216
Food Products (0.3%)		
Tiger Brands, Ltd.	33,800	679,454
Household Durables (0.4%)		
Steinhoff International Holdings, Ltd.	295,197	881,751
Insurance (0.8%)		
Sanlam, Ltd.	822,550	1,669,052
Metals & Mining (1.6%)		
Anglo Platinum, Ltd.	20,300	2,152,166
Gold Fields, Ltd.	45,773	1,044,583
		3,196,749
Oil & Gas (1.7%)		
Sasol	89,400	3,450,997
Specialty Retail (1.1%)		
Edgars Consolidated Stores, Ltd.	285,960	1,158,643
JD Group, Ltd.§	126,900	1,181,744
		2,340,387
TOTAL SOUTH AFRICA		18,242,131

	Number of Shares	Value
COMMON STOCKS		
South Korea (18.3%)		
Automobiles (1.0%)		
Hyundai Motor Company, Ltd.*	25,510	$ 2,165,543
Banks (3.9%)		
Industrial Bank of Korea§	145,800	2,452,125
Kookmin Bank*	49,910	4,112,406
Shinhan Financial Group Company, Ltd.*	31,860	1,501,127
		8,065,658
Construction & Engineering (1.8%)		
GS Engineering & Construction Corp.*	32,400	2,092,535
Hyundai Development Co.	36,300	1,569,122
		3,661,657
Electric Utilities (0.4%)		
Korea Electric Power Corp.	24,600	921,600
Electronic Equipment & Instruments (0.8%)		
LG.Philips LCD Company, Ltd.*	41,900	1,556,508
Metals & Mining (1.9%)		
POSCO ADR	58,100	3,886,890
Oil & Gas (0.8%)		
S-Oil Corp.	22,100	1,561,653
Semiconductor Equipment & Products (5.6%)		
Hynix Semiconductor, Inc.*§	18,310	591,827
Hynix Semiconductor, Inc. GDR Rule 144A*‡	3,824	122,751
Samsung Electronics Company, Ltd.	16,890	10,720,774
		11,435,352
Tobacco (1.4%)		
KT&G Corp.	50,960	2,975,172
Wireless Telecommunication Services (0.7%)		
SK Telecom Company, Ltd.	6,700	1,436,805
TOTAL SOUTH KOREA		37,666,838
Taiwan (15.3%)		
Banks (1.6%)		
Chinatrust Financial Holding Company, Ltd.	2,873,000	2,382,974
SinoPac Financial Holdings Company, Ltd.*	1,890,000	956,758
		3,339,732
Chemicals (0.4%)		
Formosa Plastics Corp.*	508,050	770,907
Computers & Peripherals (0.7%)		
Advantech Company, Ltd.	502,650	1,440,648
Construction Materials (0.8%)		
Asia Cement Corp.	2,110,000	1,584,491

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Taiwan		
Diversified Telecommunication Services (0.6%)		
Chunghwa Telecom Company, Ltd.	669,000	$ 1,205,389
Electronic Equipment & Instruments (2.6%)		
AU Optronics Corp. ADR§	123,663	1,760,961
Hon Hai Precision Industry Company, Ltd.	594,747	3,672,082
		5,433,043
Food Products (0.7%)		
Uni-President Enterprises Corp.	1,620,000	1,410,827
Insurance (2.6%)		
Cathay Financial Holding Company, Ltd.	1,447,000	3,161,485
Shin Kong Financial Holding Company, Ltd.	2,034,299	2,237,615
		5,399,100
Metals & Mining (1.2%)		
China Steel Corp.	2,510,000	2,491,340
Semiconductor Equipment & Products (4.1%)		
MediaTek, Inc.	210,000	1,943,827
Taiwan Semiconductor Manufacturing Company, Ltd.	3,056,330	5,554,228
United Microelectronics Corp.	1,445,359	858,423
		8,356,478
TOTAL TAIWAN		31,431,955
Thailand (2.0%)		
Banks (1.0%)		
Krung Thai Bank Public Company, Ltd.	3,657,000	968,044
Siam City Bank Public Company, Ltd.	2,086,000	1,028,802
		1,996,846
Oil & Gas (0.5%)		
Thai Oil Public Company, Ltd.	634,900	1,056,641
Real Estate (0.5%)		
Land and Houses Public Company, Ltd.	5,420,000	1,003,891
TOTAL THAILAND		4,057,378
Turkey (0.9%)		
Banks (0.6%)		
Akbank T.A.S.	146,009	687,953
Turkiye Garanti Bankasi AS	240,733	588,758
		1,276,711
Wireless Telecommunication Services (0.3%)		
Turkcell Iletisim Hizmetleri AS	144,873	668,530
TOTAL TURKEY		1,945,241

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2006 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Zambia (0.6%)		
Metals & Mining (0.6%)		
First Quantum Minerals, Ltd.	26,600	$ 1,196,892
TOTAL ZAMBIA		1,196,892
TOTAL COMMON STOCKS (Cost $145,857,563)		188,005,713
PREFERRED STOCKS (7.0%)		
Brazil (6.4%)		
Banks (0.9%)		
Banco Itau Holding Financeira SA	63,100	1,839,718
Beverages (0.3%)		
Companhia de Bebidas das Americas ADR	16,000	660,000
Diversified Telecommunication Services (0.8%)		
Telemar Norte Leste SA Class A	47,900	960,545
Telesp - Telecomunicacoes de Sao Paulo SA	32,400	688,645
		1,649,190
Industrial Conglomerates (1.2%)		
Bradespar SA	37,200	1,271,942
Itausa - Investimentos Itau SA	281,722	1,135,089
		2,407,031
Metals & Mining (2.1%)		
Companhia Vale do Rio Doce ADR§	159,400	3,280,452
Usinas Siderurgicas de Minas Gerais SA Series A	28,800	1,033,300
		4,313,752
Oil & Gas (1.1%)		
Petroleo Brasileiro SA - Petrobras ADR§	26,700	2,384,577
TOTAL BRAZIL		13,254,268
Russia (0.6%)		
Oil & Gas (0.6%)		
Transneft	570	1,151,400
TOTAL RUSSIA		1,151,400
TOTAL PREFERRED STOCKS (Cost $8,660,695)		14,405,668
RIGHTS (0.0%)		
Thailand (0.0%)		
Diversified Telecommunication Services (0.0%)		
True Corporation Public Company, Ltd. strike price THB 20.60, expires 04/03/08*^ (Cost $0)	50,021	0
SHORT-TERM INVESTMENTS (16.8%)		
State Street Navigator Prime Portfolio§§	30,985,638	30,985,638

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2006 (unaudited)

	Par (000)	
SHORT-TERM INVESTMENTS		
State Street Bank and Trust Co. Euro Time Deposit, 4.100%, 7/03/06	$3,473	$ 3,473,000
TOTAL SHORT-TERM INVESTMENTS (Cost $34,458,638)		34,458,638
TOTAL INVESTMENTS AT VALUE (115.2%) (Cost $188,976,896)		236,870,019
LIABILITIES IN EXCESS OF OTHER ASSETS (-15.2%)		(31,303,684)
NET ASSETS (100.0%)		$205,566,335

INVESTMENT ABBREVIATIONS

ADR = American Depositary Receipt

GDR = Global Depositary Receipt

* Non-income producing security.

‡ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2006, these securities amounted to a value of $2,766,691 or 1.4% of net assets.

^ Not readily marketable security; security is valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees.

§ Security or portion thereof is out on loan.

§§ Represents security purchased with cash collateral received for securities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Assets and Liabilities
June 30, 2006 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $30,985,638 (Cost $188,976,896) (Note 2)	$236,870,019[1]
Cash	747
Foreign currency at value (Cost $858,847)	868,887
Receivable for investments sold	2,472,258
Dividend and interest receivable	641,033
Receivable for portfolio shares sold	123,938
Prepaid expenses and other assets	22,225
Total Assets	240,999,107
Liabilities	
Advisory fee payable (Note 3)	156,995
Administrative services fee payable (Note 3)	37,296
Payable upon return of securities loaned (Note 2)	30,985,638
Payable for investments purchased	3,827,727
Payable for portfolio shares redeemed	276,755
Deferred foreign tax liability (Note 2)	7,646
Other accrued expenses payable	140,715
Total Liabilities	35,432,772
Net Assets	
Capital stock, $0.001 par value (Note 6)	11,515
Paid-in capital (Note 6)	138,884,932
Undistributed net investment income	2,457,901
Accumulated net realized gain on investments and foreign currency transactions	16,305,948
Net unrealized appreciation from investments and foreign currency translations	47,906,039
Net Assets	$205,566,335
Shares outstanding	11,513,651
Net asset value, offering price, and redemption price per share	$17.85

[1] Including $29,687,842 of securities on loan

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Operations
For the Six Months Ended June 30, 2006 (unaudited)

Investment Income (Note 2)	
Dividends	$ 3,141,231
Interest	85,981
Securities lending	24,302
Foreign taxes withheld	(287,348)
Total investment income	2,964,166
Expenses	
Investment advisory fees (Note 3)	1,335,730
Administrative services fees (Note 3)	176,381
Custodian fees	101,269
Printing fees (Note 3)	33,994
Audit and tax fees	15,050
Legal fees	8,414
Insurance expense	5,303
Transfer agent fees	3,026
Registration fees	2,719
Commitment fees (Note 4)	1,810
Trustees' fees	1,466
Miscellaneous expense	11,205
Total expenses	1,696,367
Less: fees waived (Note 3)	(236,931)
Net expenses	1,459,436
Net investment income	1,504,730
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments (including Thailand Capital Gain Tax of $48,229)	14,496,424
Net realized loss from foreign currency transactions	(246,331)
Net change in unrealized appreciation (depreciation) from investments	(4,921,416)
Net change in unrealized appreciation (depreciation) from foreign currency translations	136,483
Net realized and unrealized gain from investments and foreign currency related items	9,465,160
Net increase in net assets resulting from operations	$10,969,890

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statements of Changes in Net Assets

	For the Six Months Ended June 30, 2006 (unaudited)	For the Year Ended December 31, 2005
From Operations		
Net investment income	$ 1,504,730	$ 1,501,833
Net realized gain from investments and foreign currency transactions	14,250,093	8,210,795
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	(4,784,933)	26,149,109
Net increase in net assets resulting from operations	10,969,890	35,861,737
From Dividends		
Dividends from net investment income	—	(986,165)
Net decrease in net assets resulting from dividends	—	(986,165)
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	38,220,842	67,779,637
Reinvestment of dividends	—	986,165
Net asset value of shares redeemed	(29,814,556)	(32,675,340)
Net increase in net assets from capital share transactions	8,406,286	36,090,462
Net increase in net assets	19,376,176	70,966,034
Net Assets		
Beginning of period	186,190,159	115,224,125
End of period	$205,566,335	$186,190,159
Undistributed net investment income	$ 2,457,901	$ 953,171

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Six Months Ended June 30, 2006 (unaudited)	For the Year Ended December 31, 2005	2004	2003	2002	2001
Per share data						
Net asset value, beginning of period	$ 16.82	$ 13.25	$ 10.63	$ 7.44	$ 8.43	$ 9.33
INVESTMENT OPERATIONS						
Net investment income	0.13	0.14	0.12	0.07	0.01	0.06
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	0.90	3.53	2.53	3.12	(0.98)	(0.96)
Total from investment operations	1.03	3.67	2.65	3.19	(0.97)	(0.90)
LESS DIVIDENDS						
Dividends from net investment income	—	(0.10)	(0.03)	—	(0.02)	—
Net asset value, end of period	$ 17.85	$ 16.82	$ 13.25	$ 10.63	$ 7.44	$ 8.43
Total return[1]	6.12%	27.84%	25.02%	42.88%	(11.56)%	(9.65)%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$205,566	$186,190	$115,224	$73,782	$43,867	$38,331
Ratio of expenses to average net assets	1.37%[2]	1.40%	1.40%	1.40%	1.40%	1.40%
Ratio of net investment income to average net assets	1.41%[2]	1.11%	1.21%	0.94%	0.13%	0.63%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.22%[2]	0.25%	0.29%	0.41%	0.44%	0.49%
Portfolio turnover rate	44%	77%	121%	167%	128%	130%

[1] Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the periods shown, total returns would have been lower. Total returns do not reflect charges and expenses attributable to any particular variable contract or plan. Total returns for periods less than one year are not annualized.

[2] Annualized.

See Accompanying Notes to Financial Statements.

Note 1. Organization

Credit Suisse Trust (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers nine managed investment portfolios of which one, the Emerging Markets Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan. The Trust was organized under the laws of The Commonwealth of Massachusetts as a business trust on March 15, 1995.

Note 2. Significant Accounting Policies

A) SECURITY VALUATION — The net asset value of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange, Inc. (the "Exchange") on each day the Exchange is open for business. Equity investments are valued at market value, which is generally determined using the closing price on the exchange or market on which the security is primarily traded at the time of valuation (the "Valuation Time"). If no sales are reported, equity investments are generally valued at the most recent bid quotation as of the Valuation Time or at the lowest asked quotation in the case of a short sale of securities. Debt securities with a remaining maturity greater than 60 days are valued in accordance with the price supplied by a pricing service, which may use a matrix, formula or other objective method that takes into consideration market indices, yield curves and other specific adjustments. Debt obligations that will mature in 60 days or less are valued on the basis of amortized cost, which approximates market value, unless it is determined that using this method would not represent fair value. Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation. Securities and other assets for which market quotations are not readily available, or whose values have been materially affected by events occurring before the Portfolio's Valuation Time but after the close of the securities' primary markets, are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The Portfolio may utilize a service provided by an independent third party which has been approved by the Board of Trustees to fair value certain securities. When fair-value pricing is employed,

Note 2. Significant Accounting Policies

the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolio does not isolate that portion of realized gains and losses on investments in *equity* securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. The Portfolio isolates that portion of realized gains and losses on investments in *debt* securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryforward, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America ("GAAP").

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Trust's intention to have the Portfolio continue to qualify for and elect the tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended, and to make the requisite distributions to its shareholders, which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

Note 2. Significant Accounting Policies

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

G) SHORT-TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by Credit Suisse Asset Management, LLC ("Credit Suisse"), an indirect, wholly-owned subsidiary of Credit Suisse Group, pools available cash into either a short-term variable rate time deposit issued by State Street Bank and Trust Company ("SSB"), the Portfolio's custodian, or a money market fund advised by Credit Suisse. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily forward exchange rate of the underlying currency, and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At June 30, 2006, the Portfolio had no open forward foreign currency contracts.

I) SECURITIES LENDING — Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan (including any accrued interest thereon) and 105% of the market value of foreign securities on loan (including any accrued interest thereon). Cash collateral received by the Portfolio in connection with securities lending activity may be pooled together with cash collateral for other funds/portfolios advised by Credit Suisse and may be invested in a variety of investments, including certain Credit Suisse–advised funds, funds advised by SSB, the Portfolio's securities lending agent, or money market instruments. However, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from securities lending activities. During the six months ended June 30, 2006, total earnings from the

Note 2. Significant Accounting Policies

Portfolio's investment in cash collateral received in connection with securities lending arrangements was $258,683, of which $225,447 was rebated to borrowers (brokers). The Portfolio retained $24,302 in income from the cash collateral investment and SSB, as lending agent, was paid $8,934. The Portfolio may also be entitled to certain minimum amounts of income from its securities lending activities. Securities lending income is accrued as earned.

J) OTHER — The Portfolio may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity and valuation risks.

The Portfolio's investments in securities of issuers located in less developed countries considered to be "emerging markets" involve risks in addition to those generally applicable to foreign securities. Focusing on emerging (less developed) markets involves higher levels of risk, including increased currency, information, liquidity, market, political and valuation risks. Deficiencies in regulatory oversight, market infrastructure, shareholder protections and company laws could expose the Portfolio to operational and other risks as well. Some countries may have restrictions that could limit the Portfolio's access to attractive investment opportunities. Additionally, emerging markets often face serious economic problems (such as high external debt, inflation and unemployment) that could subject the Portfolio to increased volatility or substantial declines in value.

The Portfolio may be subject to taxes imposed by countries in which it invests with respect to its investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital gains realized on the sale of such investments. The Portfolio accrues such taxes when the related income is earned or gains are realized.

Note 3. Transactions with Affiliates and Related Parties

Credit Suisse serves as investment adviser for the Portfolio. For its investment advisory services, Credit Suisse is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. Effective March 1, 2006 to February 28, 2007, Credit Suisse agreed to voluntarily waive part of its investment advisory fee from 1.25% to 1.20%. For the six

Note 3. Transactions with Affiliates and Related Parties

months ended June 30, 2006, investment advisory fees earned and voluntarily waived were $1,335,730 and $236,931, respectively. Fee waivers and reimbursements are voluntary and may be discontinued by Credit Suisse at any time.

Credit Suisse Asset Management Limited (U.K.) ("Credit Suisse U.K.") and Credit Suisse Asset Management Limited (Australia) ("Credit Suisse Australia"), affiliates of Credit Suisse, are sub-investment advisers to the Portfolio (the "Sub-Advisers"). Credit Suisse U.K's and Credit Suisse Australia's sub-investment advisory fees are paid by Credit Suisse out of Credit Suisse's net investment advisory fee and are not paid by the Portfolio.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of Credit Suisse, and SSB serve as co-administrators to the Portfolio. For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.10% of the Portfolio's average daily net assets. For the six months ended June 30, 2006, co-administrative services fees earned by CSAMSI were $106,858.

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon relative average net assets of each fund/portfolio, subject to an annual minimum fee. For the six months ended June 30, 2006, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $69,523.

In addition to serving as the Portfolio's co-administrator, CSAMSI currently serves as distributor of the Portfolio's shares without compensation.

Merrill Corporation ("Merrill"), an affiliate of Credit Suisse, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the six months ended June 30, 2006, Merrill was paid $174 for its services to the Portfolio.

Note 4. Line of Credit

The Portfolio, together with other funds/portfolios advised by Credit Suisse (collectively, the "Participating Funds"), participates in a $75 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which

Note 4. Line of Credit

is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At June 30, 2006 and during the six months ended June 30, 2006, the Portfolio had no borrowings under the Credit Facility.

Note 5. Purchases and Sales of Securities

For the six months ended June 30, 2006, purchases and sales of investment securities (excluding short-term investments) were $107,243,721 and $91,361,015, respectively.

At June 30, 2006, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were $188,976,896, $54,651,567, $(6,758,444) and $47,893,123, respectively.

Note 6. Capital Share Transactions

The Trust is authorized to issue an unlimited number of full and fractional shares of beneficial interest, $.001 par value per share. Transactions in capital shares of the Portfolio were as follows:

	For the Six Months Ended June 30, 2006 (unaudited)	For the Year Ended December 31, 2005
Shares sold	2,043,345	4,677,861
Shares issued in reinvestment of dividends	—	66,097
Shares redeemed	(1,598,885)	(2,371,979)
Net increase	444,460	2,371,979

On June 30, 2006, the number of shareholders that held 5% or more of the outstanding shares was as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
6	93%

Some of the shareholders are omnibus accounts, which hold shares on behalf of individual shareholders.

Note 7. Contingencies

In the normal course of business, the Portfolio may provide general indemnifications pursuant to certain contracts and organizational documents. The Portfolio's maximum exposure under these arrangements is dependent on future claims that may be made against the Portfolio and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

Important Privacy Choices for Consumers

We are committed to maintaining the privacy of every current and prospective customer. We recognize that you entrust important personal information to us, and we wish to assure you that we take seriously our responsibilities in protecting and safeguarding this information.

In connection with making available investment products and services to current and potential customers, we may obtain nonpublic personal information about you. This information may include your name, address, e-mail address, social security number, account number, assets, income, financial situation, transaction history and other personal information.

We may collect nonpublic information about you from the following sources:

- Information we receive on applications, forms, questionnaires, web sites, agreements or in the course of establishing or maintaining a customer relationship; and
- Information about your transactions with us, our affiliates, or others.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except with your consent or as otherwise permitted by law.

In cases where we believe that additional products and services may be of interest to you, we may share the information described above with our affiliates.

We may also disclose this information to firms that perform services on our behalf. These agents and service providers are required to treat the information confidentially and use it only for the purpose for which it is provided.

We restrict access to nonpublic personal information about you to those employees, agents or other parties who need to know that information to provide products or services to you or in connection with your investments with or through us. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Note: This Notice is provided to clients and prospective clients of Credit Suisse Asset Management, LLC ("Credit Suisse"), and Credit Suisse Asset Management Securities, Inc., and shareholders and prospective shareholders in Credit Suisse-sponsored and advised investment companies, including Credit Suisse Funds, and other consumers and customers, as applicable. This Notice is not intended to be incorporated in any offering materials but is merely a statement of our current Privacy Policy, and may be amended from time to time upon notice to you. This Notice is dated as of May 17, 2006.

Proxy Voting and Portfolio Holdings Information (unaudited)

Information regarding how the Portfolio voted proxies related to its portfolio securities during the 12-month period ended June 30 of each year, as well as the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities are available:

- By calling 1-800-222-8977
- On the Portfolio's website, www.credit-suisse.com/us
- On the website of the Securities and Exchange Commission, http://www.sec.gov.

The Portfolio files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Portfolio's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-202-551-8090.

CREDIT SUISSE

P.O. Box 55030, Boston, MA 02205-5030
800-222-8977 ■ www.credit-suisse.com/us

CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TREMK-SAR-0606

CREDIT SUISSE

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2006
(unaudited)

CREDIT SUISSE TRUST
▪ GLOBAL SMALL CAP PORTFOLIO

Credit Suisse Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

The Trust's investment objectives, risks, charges and expenses (which should be considered carefully before investing), and more complete information about the Trust, are provided in the *Prospectus*, which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 55030, Boston, MA 02205-5030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3140. The Trust is advised by Credit Suisse Asset Management, LLC.

The views of the Portfolio's management are as of the date of the letter and the Portfolio holdings described in this document are as of June 30, 2006; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

July 19, 2006

Dear Shareholder:

For the six months ended June 30, 2006, Credit Suisse Trust — Global Small Cap Portfolio[1] (the "Portfolio") had a gain of 3.86%, versus an increase of 5.71% for the Morgan Stanley Capital International World Small Cap Index.[2]

Effective April 5, 2006, Laura Granger joined Crispin Finn on the Credit Suisse Global Small Cap Team, which is responsible for the day-to-day management of the Portfolio.

Market Overview: Positive despite turbulence

The world's equity markets had positive, though volatile, performance in the period. Stocks started the year on a bright note, but turned sharply down in May, when worries over US inflation and global interest-rates sparked a broad sell off. These worries seemed to ease in late June, after the US Federal Reserve hinted that an end to its monetary tightening cycle might be near.

Most European markets had double-digit gains in US dollar terms, boosted by a rise in the euro vs. the dollar in the period. The US posted a relatively modest gain, while Japan had lackluster performance after a solid 2005. Small cap stocks performed roughly in line with larger caps globally, with value stocks outpacing growth stocks in general.

Strategic Review: Investing in a large and diverse universe

The Portfolio participated in the market's rally, though it underperformed its benchmark. On the positive side, the Portfolio's industrial stocks outperformed by a solid margin (broadly defined, industrial companies accounted for about a quarter of the Portfolio's assets in the period). However, this was offset by underperformance from the Portfolio's financial services, energy and technology holdings. Viewed regionally, the Portfolio's non-Japan Asian stocks aided its return, with solid gains from its South Korea and China holdings. The Portfolio's holdings from the US and Europe had positive absolute returns, but trailed their respective components in the benchmark.

Going forward, we will continue to employ a bottom-up investment approach, seeking to identify companies trading at a discount to their projected growth rates or intrinsic asset values. Factors we incorporate include price/earnings growth, book value, strong returns on capital and reliability and effectiveness of management.

The Portfolio ordinarily holds equity securities of small companies from at least three countries, including the US, and we seek to take advantage of both growth and value opportunities. The Portfolio's investable universe is hence broad and large, and our focus remains on attempting to find innovative companies with unrecognized potential.

The Credit Suisse Global Small Cap Team

Laura Granger
Crispin Finn

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. Because of the nature of the Portfolio's investments in start-up and other small companies and certain aggressive strategies it may use, an investment in the Portfolio may be more volatile and less liquid than investments in larger companies and may not be appropriate for all investors.

In addition to historical information, this report contains forward-looking statements, which may concern, among other things, domestic and foreign market, industry and economic trends and developments and government regulation and their potential impact on the Portfolio's investments. These statements are subject to risks and uncertainties and actual trends, developments and regulations in the future, and their impact on the Portfolio could be materially different from those projected, anticipated or implied. The Portfolio has no obligation to update or revise forward-looking statements.

Average Annual Returns as of June 30, 2006[1]

1 Year	5 Years	Since Inception	Inception Date
14.96%	4.20%	4.54%	9/30/96

Returns represent past performance and include change in share price and reinvestment of dividends and capital gains. ***Past performance cannot guarantee future results.*** *The current performance of the Portfolio may be lower or higher than the figures shown. Returns and share price will fluctuate, and redemption value may be more or less than original cost. The performance results do not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares. Performance includes the effect of deducting expenses, but does not include charges and expenses attributable to any particular variable contract or plan. Accordingly, the Prospectus of the sponsoring Participating Insurance Company separate account or plan documents or other informational materials supplied by plan sponsors should be carefully reviewed for information on relevant charges and expenses. Excluding these charges and expenses from quotations of performance has the effect of increasing the performance quoted, and the effect of these charges should be considered when comparing performance to that of other mutual funds. Performance information current to the most recent month-end is available at www.credit-suisse.com/us.*

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[1] Fee waivers and/or expense reimbursements may reduce expenses for the Portfolio, without which performance would be lower. Waivers and/or reimbursements may be discontinued at any time.

[2] The Morgan Stanley Capital International World Small Cap Index is an unmanaged broadbased index comprised of small cap companies from 23 developed markets. The index returns shown above are price only and do not reflect the reinvestment of dividends. It is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.

Information About Your Portfolio's Expenses

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section and which would result in higher total expenses. The following table is intended to help you understand your ongoing expenses of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The table is based on an investment of $1,000 made at the beginning of the six month period ended June 30, 2006.

The table illustrates your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.

- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs, such as sales charges (loads) or redemption fees. If these transaction costs had been included, your costs would have been higher. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expenses of owning different funds.

Expenses and Value of a $1,000 Investment
for the six month period ended June 30, 2006

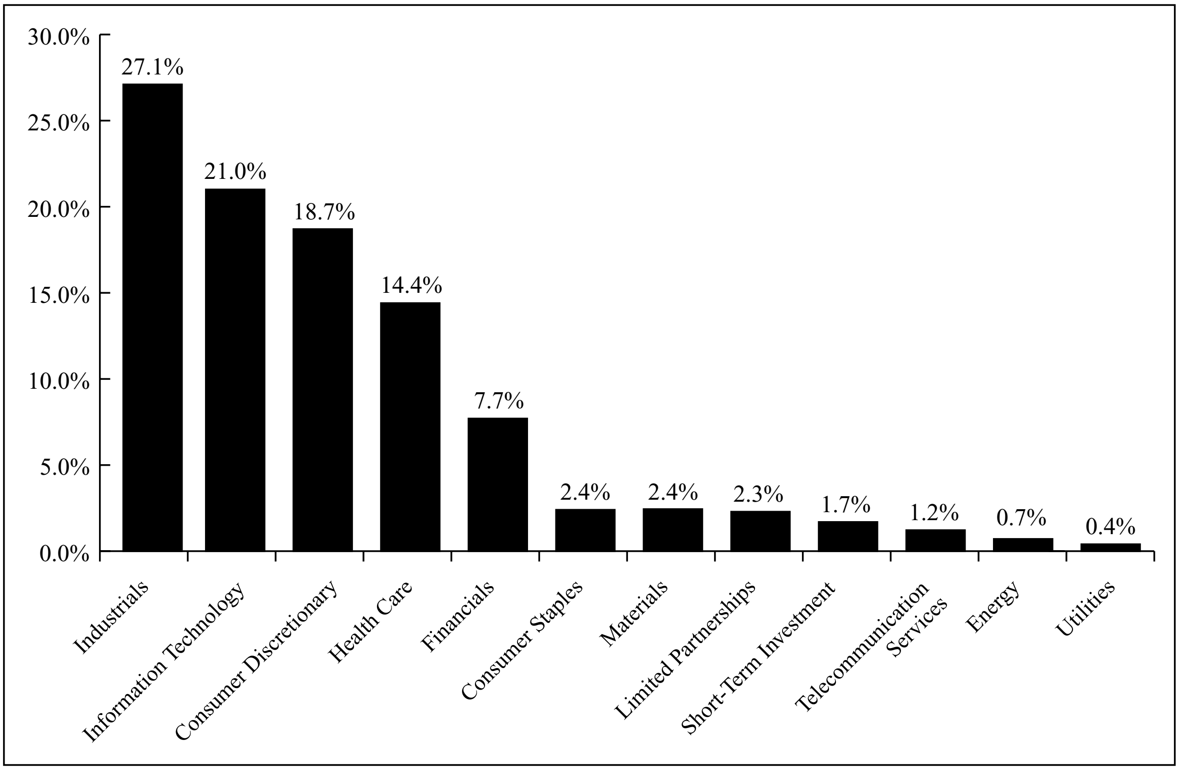
Actual Portfolio Return	
Beginning Account Value 1/1/06	$1,000.00
Ending Account Value 6/30/06	$1,038.60
Expenses Paid per $1,000*	$ 7.08
Hypothetical 5% Portfolio Return	
Beginning Account Value 1/1/06	$1,000.00
Ending Account Value 6/30/06	$1,017.85
Expenses Paid per $1,000*	$ 7.00
Annualized Expense Ratios*	1.40%

* *Expenses are equal to the Portfolio's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year period, then divided by 365.*

The "Expenses Paid per $1,000" and the "Annualized Expense Ratios" in the tables are based on actual expenses paid by the Portfolio during the period, net of fee waivers and/or expense reimbursements. If those fee waivers and/or expense reimbursements had not been in effect, the Portfolio's actual expenses would have been higher. Expenses do not reflect additional charges and expenses that are, or may be, imposed under the variable contracts or plans. Such charges and expenses are described in the prospectus of the insurance company seperate account or in the plan documents or other informational materials supplied by plan sponsors. The Portfolio's expenses should be considered with these charges and expenses in evaluating the overall cost of investing in the separate account.

For more information, please refer to the Portfolio's prospectus.

SECTOR BREAKDOWN*



* Expressed as a percentage of total investments (excluding security lending collateral) and may vary over time.

	Number of Shares	Value
COMMON STOCKS (92.0%)		
Australia (2.6%)		
Chemicals (0.3%)		
Nufarm, Ltd.	58,000	$ 436,896
Commercial Services & Supplies (0.4%)		
Downer EDI, Ltd.	100,000	552,389
Distribution & Wholesale (0.3%)		
Metcash, Ltd.	145,000	402,636
Diversified Financials (1.3%)		
Austbrokers Holdings, Ltd.	20,375	47,732
Australian Infrastructure Fund§	256,000	395,386
Babcock & Brown Infrastructure Group§	419,192	495,090
ConnectEast Group	480,000	408,098
Mortgage Choice, Ltd.	158,558	300,026
		1,646,332
Media (0.3%)		
STW Communications Group, Ltd.§	205,000	428,043
TOTAL AUSTRALIA		3,466,296
Belgium (1.1%)		
Healthcare Equipment & Supplies (1.1%)		
Omega Pharma SA	19,950	1,392,038
TOTAL BELGIUM		1,392,038
Bermuda (3.0%)		
Commercial Services & Supplies (0.8%)		
VistaPrint, Ltd.*	38,600	1,032,164
Hotels, Restaurants & Leisure (1.0%)		
Orient-Express Hotels, Ltd. Class A	36,000	1,398,240
Media (1.2%)		
Central European Media Enterprises, Ltd. Class A*§	24,400	1,541,836
TOTAL BERMUDA		3,972,240
China (3.7%)		
Airlines (1.6%)		
Air China, Ltd. Series H	4,940,000	2,066,519
Communications Equipment (0.8%)		
ZTE Corp. Series H	352,800	1,124,711
Internet Software & Services (1.3%)		
Netease.com, Inc. ADR*§	54,600	1,219,218
Shanda Interactive Entertainment, Ltd. ADR*§	37,095	480,751
		1,699,969
TOTAL CHINA		4,891,199

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Denmark (1.0%)		
Household Durables (1.0%)		
Bang & Olufsen AS B Shares§	11,600	$ 1,281,250
TOTAL DENMARK		1,281,250
Finland (0.8%)		
Communications Equipment (0.8%)		
Elcoteq Network Class A§	54,150	1,088,997
TOTAL FINLAND		1,088,997
France (1.8%)		
Computers & Peripherals (0.7%)		
Gemplus International SA*§	427,500	954,226
Real Estate (1.1%)		
Nexity	23,650	1,371,457
TOTAL FRANCE		2,325,683
Germany (6.3%)		
Building Products (1.2%)		
Pfleiderer AG	57,300	1,601,062
Commercial Services & Supplies (0.8%)		
CeWe Color Holding AG	28,500	1,055,076
Diversified Financials (1.1%)		
AWD Holding AG§	44,000	1,472,458
Energy Equipment & Services (0.3%)		
Q-Cells AG*§	4,737	396,126
Machinery (1.2%)		
IWKA AG*	58,000	1,514,796
Real Estate (0.6%)		
Vivacon AG*	35,000	782,452
Specialty Retail (1.1%)		
Fielmann AG§	15,300	1,457,145
TOTAL GERMANY		8,279,115
India (1.3%)		
Internet Software & Services (1.3%)		
Sify, Ltd. ADR*§	173,800	1,734,524
TOTAL INDIA		1,734,524
Japan (13.3%)		
Auto Components (0.6%)		
Nippon Seiki Company, Ltd.	39,000	771,978
Chemicals (1.7%)		
Kuraray Company, Ltd.	194,000	2,173,859

	Number of Shares	Value
COMMON STOCKS		
Commercial Services & Supplies (0.2%)		
Take and Give Needs Company, Ltd.§	165	$ 197,863
Computers & Peripherals (1.0%)		
Melco Holdings, Inc.§	51,300	1,350,139
Distribution & Wholesale (0.2%)		
Happinet Corp.	14,800	324,931
Diversified Financials (1.7%)		
Asset Managers Company, Ltd.	440	1,046,553
OMC Card, Inc.	87,100	1,244,221
		2,290,774
Electronic Equipment & Instruments (0.9%)		
Nidec Corp.	16,000	1,149,173
Food Products (0.6%)		
Mitsui Sugar Company, Ltd.	199,000	755,677
Hotels, Restaurants & Leisure (1.5%)		
Round One Corp.§	559	1,999,622
Internet & Catalog Retail (0.7%)		
Belluna Company, Ltd.	50,200	962,064
Internet Software & Services (1.3%)		
ACCA Networks Company, Ltd.*	206	479,402
SBI Holdings, Inc.§	2,775	1,228,308
		1,707,710
Machinery (0.6%)		
Sodick Company, Ltd.	66,800	777,968
Media (0.7%)		
USEN Corp.§	71,000	955,560
Specialty Retail (1.6%)		
USS Company, Ltd.	19,250	1,273,506
Village Vanguard Company, Ltd.*	109	839,346
		2,112,852
TOTAL JAPAN		17,530,170
Netherlands (1.0%)		
Semiconductor Equipment & Products (1.0%)		
ASM International NV*§	84,000	1,306,376
TOTAL NETHERLANDS		1,306,376
Norway (1.9%)		
Electronic Equipment & Instruments (0.9%)		
Tandberg ASA§	138,730	1,146,798
Machinery (1.0%)		
Tomra Systems ASA	172,000	1,395,568
TOTAL NORWAY		2,542,366

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
South Korea (2.6%)		
Machinery (2.4%)		
Samsung Heavy Industries Company, Ltd.§	134,700	$ 3,108,073
Software (0.2%)		
Gravity Company, Ltd. ADR*§	39,400	277,770
TOTAL SOUTH KOREA		3,385,843
Sweden (3.7%)		
Commercial Services & Supplies (0.6%)		
Observer AB*	216,000	823,292
Healthcare Equipment & Supplies (1.0%)		
Getinge AB Class B§	77,200	1,311,864
Machinery (2.1%)		
Alfa Laval AB§	90,000	2,702,820
TOTAL SWEDEN		4,837,976
Switzerland (1.9%)		
Biotechnology (0.8%)		
Actelion, Ltd.*	10,260	1,031,652
Machinery (1.1%)		
Georg Fischer AG*	3,420	1,461,857
TOTAL SWITZERLAND		2,493,509
Taiwan (0.8%)		
Electronic Equipment & Instruments (0.8%)		
AU Optronics Corp. ADR§	76,191	1,084,960
TOTAL TAIWAN		1,084,960
United Kingdom (8.5%)		
Commercial Services & Supplies (2.9%)		
Enterprise PLC	140,000	1,109,332
Michael Page International PLC	200,000	1,295,318
Serco Group PLC	240,000	1,418,538
		3,823,188
Diversified Financials (0.9%)		
Melrose PLC	400,000	1,161,248
Electronic Equipment & Instruments (0.8%)		
Laird Group PLC	144,419	1,039,385
Industrial Conglomerates (1.6%)		
Intertek Group PLC	100,000	1,292,637
Synergy Healthcare PLC	81,215	816,042
		2,108,679
Insurance (0.9%)		
Admiral Group PLC	100,000	1,147,056

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Road & Rail (0.9%)		
Arriva PLC	110,000	$ 1,211,650
Specialty Retail (0.5%)		
Halfords Group PLC	125,000	688,498
TOTAL UNITED KINGDOM		11,179,704
United States (36.7%)		
Aerospace & Defense (0.8%)		
BE Aerospace, Inc.*	47,600	1,088,136
Beverages (0.6%)		
Hansen Natural Corp.*§	4,400	837,628
Biotechnology (2.7%)		
Cubist Pharmaceuticals, Inc.*	46,500	1,170,870
Kendle International, Inc.*	28,600	1,050,478
LifeCell Corp.*§	44,100	1,363,572
		3,584,920
Chemicals (0.3%)		
Pacific Ethanol, Inc.	23,000	445,083
Commercial Services & Supplies (1.1%)		
American Ecology Corp.§	36,300	961,950
Kenexa Corp.*	17,400	554,190
		1,516,140
Communications Equipment (1.4%)		
F5 Networks, Inc.*	22,100	1,181,908
Kanbay International, Inc.*§	43,400	631,036
		1,812,944
Distribution & Wholesale (1.1%)		
Beacon Roofing Supply, Inc.*§	59,699	1,313,975
Brightpoint, Inc.*	7,940	107,428
		1,421,403
Diversified Financials (1.2%)		
Bankrate, Inc.*§	15,500	585,280
Investment Technology Group, Inc.*	18,400	935,824
		1,521,104
Electrical Equipment (0.6%)		
Energy Conversion Devices, Inc.*§	21,400	779,602
Electronic Equipment & Instruments (1.6%)		
Daktronics, Inc.§	20,200	583,174
Hittite Microwave Corp.*	10,400	376,064
Itron, Inc.*	18,800	1,114,088
		2,073,326

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Energy Equipment & Services (0.6%)		
Unit Corp.*	14,800	$ 841,972
Food Products (0.8%)		
Herbalife, Ltd.*	25,800	1,029,420
Healthcare Equipment & Supplies (2.6%)		
ArthroCare Corp.*§	28,100	1,180,481
Hologic, Inc.*	28,000	1,382,080
Neurometrix, Inc.*§	30,100	916,846
		3,479,407
Healthcare Providers & Services (2.4%)		
Pediatrix Medical Group, Inc.*	32,100	1,454,130
Psychiatric Solutions, Inc.*§	59,652	1,709,627
		3,163,757
Hotels, Restaurants & Leisure (1.5%)		
Chipotle Mexican Grill, Inc. Class A*§	14,300	871,585
Life Time Fitness, Inc.*	25,200	1,166,004
		2,037,589
Household Durables (1.3%)		
Knoll, Inc.	90,000	1,652,400
Industrial Conglomerates (0.6%)		
Chemed Corp.	13,700	747,061
Insurance (0.6%)		
Tower Group, Inc.	24,100	729,025
Internet & Catalog Retail (1.1%)		
Coldwater Creek, Inc.*	23,300	623,508
Nutri/System, Inc.*§	13,400	832,542
		1,456,050
Internet Software & Services (1.3%)		
Allscripts Heathcare Solutions, Inc.*§	67,100	1,177,605
INVESTools, Inc.*	59,700	474,018
		1,651,623
IT Consulting & Services (1.2%)		
Redback Networks, Inc.*§	37,700	691,418
SRA International, Inc. Class A*§	31,000	825,530
		1,516,948
Machinery (1.6%)		
Ceradyne, Inc.*§	20,300	1,004,647
NACCO Industries, Inc. Class A§	7,800	1,071,798
		2,076,445
Media (1.2%)		
aQuantive, Inc.*§	61,300	1,552,729

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Real Estate (1.1%)		
Trammell Crow Co.*	25,800	$ 907,386
Williams Scotsman International, Inc.*	23,300	508,872
		1,416,258
Semiconductor Equipment & Products (3.0%)		
EMCORE Corp.*§	95,300	914,880
FormFactor, Inc.*§	23,200	1,035,416
SiRF Technology Holdings, Inc.*§	20,400	657,288
Tessera Technologies, Inc.*§	50,700	1,394,250
		4,001,834
Software (0.6%)		
THQ, Inc.*	36,550	789,480
Specialty Retail (2.6%)		
Aaron Rents, Inc.	26,600	715,008
DSW, Inc. Class A*§	18,800	684,696
Gymboree Corp.*	26,600	924,616
J. Crew Group, Inc.*	18,200	499,590
Zumiez, Inc.*	15,900	597,363
		3,421,273
Wireless Telecommunication Services (1.2%)		
SBA Communications Corp. Class A*	60,500	1,581,470
TOTAL UNITED STATES		48,225,027
TOTAL COMMON STOCKS (Cost $106,585,713)		121,017,273
PREFERRED STOCK (1.3%)		
Germany (1.3%)		
Healthcare Equipment & Supplies (1.3%)		
Draegerwerk AG§ (Cost $1,540,403)	26,000	1,731,580
WARRANTS (0.0%)		
United States (0.0%)		
Chemicals (0.0%)		
Pacific Ethanol, Inc., strike price $31.55, expires 02/28/07* (Cost $0)	11,500	0
LIMITED PARTNERSHIPS (2.2%)		
United States (2.2%)		
Venture Capital (2.2%)		
Austin Ventures VIII L.P.*††	430,001	343,686
CVC European Equity III L.P.*††	914,411	658,977
Madison Dearborn Capital Partners IV L.P.*††	842,530	952,684
Oak Investment Partners X L.P.*††	1,281,562	977,839
TOTAL LIMITED PARTNERSHIPS (Cost $2,550,927)		2,933,186

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT-TERM INVESTMENTS (28.7%)		
State Street Navigator Prime Portfolio§§	35,498,227	$ 35,498,227
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 4.100%, 7/03/06	$2,199	2,199,000
TOTAL SHORT-TERM INVESTMENTS (Cost $37,697,227)		37,697,227
TOTAL INVESTMENTS AT VALUE (124.2%) (Cost $148,374,270)		163,379,266
LIABILITIES IN EXCESS OF OTHER ASSETS (-24.2%)		(31,877,516)
NET ASSETS (100.0%)		$131,501,750

INVESTMENT ABBREVIATIONS

ADR = American Depositary Receipt

* Non-income producing security.

†† Restricted security; not readily marketable; security is valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees.

§ Security or portion thereof is out on loan.

§§ Represents security purchased with cash collateral received for securities on loan.

See Accompanying Notes to Financial Statements.

Statement of Assets and Liabilities

June 30, 2006 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $35,498,227 (Cost $148,374,270) (Note 2)	$163,379,266[1]
Cash	957
Foreign currency at value (cost $242,983)	250,406
Receivable for investments sold	4,769,966
Dividend and interest receivable	211,640
Receivable for portfolio shares sold	50,123
Prepaid expenses and other assets	26,891
Total Assets	168,689,249
Liabilities	
Advisory fee payable (Note 3)	117,840
Administrative services fee payable (Note 3)	25,179
Payable upon return of securities loaned (Note 2)	35,498,227
Payable for investments purchased	1,388,811
Payable for portfolio shares redeemed	95,622
Other accrued expenses payable	61,820
Total Liabilities	37,187,499
Net Assets	
Capital stock, $0.001 par value (Note 7)	9,777
Paid-in capital (Note 7)	152,344,285
Undistributed net investment income	191,958
Accumulated net realized loss on investments and foreign currency transactions	(36,082,122)
Net unrealized appreciation from investments and foreign currency translations	15,037,852
Net Assets	$131,501,750
Shares outstanding	9,776,941
Net asset value, offering price, and redemption price per share	$13.45

[1] Including $34,290,578 of securities on loan.

See Accompanying Notes to Financial Statements.

Statement of Operations

For the Six Months Ended June 30, 2006 (unaudited)

Investment Income (Note 2)	
Dividends	$ 949,741
Interest	176,583
Securities lending	92,399
Net investment income allocated from partnerships	24,209
Foreign taxes withheld	(66,815)
Total investment income	1,176,117
Expenses	
Investment advisory fees (Note 3)	868,488
Administrative services fees (Note 3)	116,549
Custodian fees	27,608
Printing fees (Note 3)	22,855
Audit and tax fees	12,484
Legal fees	10,010
Insurance expense	3,880
Transfer agent fees	2,904
Commitment fees (Note 4)	1,524
Trustees' fees	1,466
Registration fees	1,154
Miscellaneous expense	6,156
Total expenses	1,075,078
Less: fees waived (Note 3)	(102,373)
Net expenses	972,705
Net investment income	203,412
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments	12,166,326
Net realized loss on foreign currency transactions	(46,962)
Net change in unrealized appreciation (depreciation) from investments	(7,933,018)
Net change in unrealized appreciation (depreciation) from foreign currency translations	28,198
Net realized and unrealized gain from investments and foreign currency related items	4,214,544
Net increase in net assets resulting from operations	$ 4,417,956

See Accompanying Notes to Financial Statements.

Statements of Changes in Net Assets

	For the Six Months Ended June 30, 2006 (unaudited)	For the Year Ended December 31, 2005
From Operations		
Net investment income (loss)	$ 203,412	$ (445,814)
Net realized gain on investments and foreign currency transactions	12,119,364	24,312,256
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	(7,904,820)	(6,565,791)
Net increase in net assets resulting from operations	4,417,956	17,300,651
From Capital Share Transactions (Note 7)		
Proceeds from sale of shares	17,912,153	37,385,132
Net asset value of shares redeemed	(20,136,339)	(35,487,395)
Net increase (decrease) in net assets from capital share transactions	(2,224,186)	1,897,737
Net increase in net assets	2,193,770	19,198,388
Net Assets		
Beginning of period	129,307,980	110,109,592
End of period	$131,501,750	$129,307,980
Undistributed net investment income (loss)	$ 191,958	$ (11,454)

See Accompanying Notes to Financial Statements.

	For the Six Months Ended June 30, 2006 (unaudited)	For the Year Ended December 31, 2005	2004	2003	2002	2001
Per share data						
Net asset value, beginning of period	$12.95	$11.15	$ 9.45	$ 6.40	$ 9.72	$ 13.62
INVESTMENT OPERATIONS						
Net investment income (loss)	0.02	(0.04)	(0.09)	(0.06)	(0.08)	(0.09)
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	0.48	1.84	1.79	3.11	(3.24)	(3.81)
Total from investment operations	0.50	1.80	1.70	3.05	(3.32)	(3.90)
Net asset value, end of period	$13.45	$12.95	$11.15	$ 9.45	$ 6.40	$ 9.72
Total return[1]	3.86%	16.14%	17.99%	47.66%	(34.16)%	(28.63)%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$131,502	$129,308	$110,110	$102,577	$60,633	$160,658
Ratio of expenses to average net assets	1.40%[2]	1.40%	1.40%	1.40%	1.40%	1.40%
Ratio of net investment income (loss) to average net assets	0.29%[2]	(0.39)%	(0.85)%	(0.94)%	(0.90)%	(0.84)%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.15%[2]	0.19%	0.17%	0.23%	0.31%	0.21%
Portfolio turnover rate	59%	75%	79%	86%	86%	121%

[1] Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the periods shown, total returns would have been lower. Total returns do not reflect charges and expenses attributable to any particular variable contract or plan. Total returns for periods less than one year are not annualized.

[2] Annualized.

See Accompanying Notes to Financial Statements.

Note 1. Organization

Credit Suisse Trust, (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers nine managed investment portfolios of which one, the Global Small Cap Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan. The Trust was organized under the laws of The Commonwealth of Massachusetts as a business trust on March 15, 1995.

Note 2. Significant Accounting Policies

A) SECURITY VALUATION — The net asset value of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange, Inc. (the "Exchange") on each day the Exchange is open for business. Equity investments are valued at market value, which is generally determined using the closing price on the exchange or market on which the security is primarily traded at the time of valuation (the "Valuation Time"). If no sales are reported, equity investments are generally valued at the most recent bid quotation as of the Valuation Time or at the lowest asked quotation in the case of a short sale of securities. Debt securities with a remaining maturity greater than 60 days are valued in accordance with the price supplied by a pricing service, which may use a matrix, formula or other objective method that takes into consideration market indices, yield curves and other specific adjustments. Debt obligations that will mature in 60 days or less are valued on the basis of amortized cost, which approximates market value, unless it is determined that using this method would not represent fair value. Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation. Securities and other assets for which market quotations are not readily available, or whose values have been materially affected by events occurring before the Portfolio's Valuation Time but after the close of the securities' primary markets, are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The Portfolio may utilize a service provided by an independent third party which has been approved by the Board of Trustees to fair value certain securities. When fair-value pricing is employed,

Note 2. Significant Accounting Policies

the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities.

The Portfolio initially values its investments in private-equity portfolios ("Private Funds") at the amount invested in the Private Funds, less related expenses, where identifiable, unless and until Credit Suisse Asset Management, LLC ("Credit Suisse") determines that such value does not represent fair value. Thereafter, investments in Private Funds held by the Portfolio are valued at their "fair values" using procedures approved by the Board of Trustees.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolio does not isolate that portion of realized gains and losses on investments in *equity* securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. The Portfolio isolates that portion of realized gains and losses on investments in *debt* securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryforward, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America ("GAAP").

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Trust's intention to have the Portfolio continue to qualify for and elect the tax treatment applicable to regulated investment companies under the

Note 2. Significant Accounting Policies

Internal Revenue Code of 1986, as amended, and to make the requisite distributions to its shareholders, which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

G) SHORT TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by Credit Suisse, an indirect, wholly-owned subsidiary of Credit Suisse Group, pools available cash into either a short-term variable rate time deposit issued by State Street Bank and Trust Company ("SSB"), the Portfolio's custodian, or a money market fund advised by Credit Suisse. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily forward exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At June 30, 2006, the Portfolio had no open forward foreign currency contracts.

I) SECURITIES LENDING — Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan (including any accrued interest thereon) and 105% of the market value of foreign securities on loan (including any accrued interest thereon). Cash collateral received by the Portfolio in connection with securities lending activity may be pooled together with cash collateral for other funds/portfolios advised by Credit Suisse and may be invested in a variety of investments, including certain Credit Suisse–advised funds, funds advised by SSB, the Portfolio's securities lending agent, or money market instruments. However, in the event of default or bankruptcy by the other party to the

Note 2. Significant Accounting Policies

agreement, realization and/or retention of the collateral may be subject to legal proceedings.

SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from securities lending activities. During the six months ended June 30, 2006, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $913,802, of which $786,950 was rebated to borrowers (brokers). The Portfolio retained $92,399 in income from the cash collateral investment, and SSB, as lending agent, was paid $34,453. The Portfolio may also be entitled to certain minimum amounts of income from its securities lending activities. Securities lending income is accrued as earned.

J) PARTNERSHIP ACCOUNTING POLICY — The Portfolio records its pro-rata share of the income/(loss) and capital gains/(losses) allocated from the underlying partnerships and adjusts the cost of the underlying partnerships accordingly. These amounts are included in the Portfolio's Statement of Operations.

K) OTHER — The Portfolio may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity and valuation risks.

The Portfolio may be subject to taxes imposed by countries in which it invests, with respect to its investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital gains realized on the sale of such investments. The Portfolio accrues such taxes when the related income is earned or gains are realized.

The Portfolio may invest up to 15% of its net assets in non-publicly traded securities. Non-publicly traded securities may be less liquid than publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from such sales could differ from the price originally paid by the Portfolio or the current carrying values, and the difference could be material.

Note 3. Transactions with Affiliates and Related Parties

Credit Suisse serves as investment adviser for the Portfolio. For its investment advisory services, Credit Suisse is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. For the six months ended June 30, 2006, investment advisory fees earned and voluntarily waived for the Portfolio were $868,488 and $102,373, respectively. Fee waivers and reimbursements are voluntary and may be discontinued by Credit Suisse at any time.

Credit Suisse Asset Management Limited (U.K.) ("Credit Suisse U.K."), Credit Suisse Asset Management Limited (Japan) ("Credit Suisse Japan") and Credit Suisse Asset Management Limited (Australia) ("Credit Suisse Australia"), each an affiliate of Credit Suisse, are sub-investment advisers to the Portfolio (the "Sub-Advisers"). Credit Suisse U.K.'s, Credit Suisse Japan's and Credit Suisse Australia's sub-investment advisory fees are paid by Credit Suisse out of Credit Suisse's net investment advisory fee and are not paid by the Portfolio. As of March 13, 2006, Credit Suisse Japan serves as sub-investment adviser to the Portfolio.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of Credit Suisse, and SSB serve as co-administrators to the Portfolio. For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.10% of the Portfolio's average daily net assets. For the six months ended June 30, 2006, co-administrative services fees earned by CSAMSI were $69,479.

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses, calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon relative average net assets of each fund/portfolio, subject to an annual minimum fee. For the six months ended June 30, 2006, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $47,070.

In addition to serving as the Portfolio's co-administrator, CSAMSI currently serves as distributor of the Portfolio's shares without compensation.

Merrill Corporation ("Merrill"), an affiliate of Credit Suisse, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the six months ended June 30, 2006, Merrill was paid $174 for its services to the Portfolio.

Note 4. Line of Credit

The Portfolio, together with other funds/portfolios advised by Credit Suisse (collectively, the "Participating Funds"), participates in a $75 million

Note 4. Line of Credit

committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At June 30, 2006, and during the six months ended June 30, 2006, the Portfolio had no borrowings under the Credit Facility.

Note 5. Purchases and Sales of Securities

For the six months ended June 30, 2006, purchases and sales of investment securities (excluding short-term investments) were $78,122,418 and $77,162,906, respectively.

At June 30, 2006, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were $148,374,270, $20,768,121, $(5,763,125) and $15,004,996, respectively.

Note 6. Restricted Securities

Certain investments of the Portfolio are restricted as to resale and are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The Portfolio does not have the right to demand that such securities be registered.

Security	Security Type	Number of Shares	Acquisition Date	Cost	Fair Value	Value per Share	Percentage of Net Assets	Distributions Received	Open Commitments
Austin Ventures VIII L.P.	Ltd. Partnership	430,001	7/13/01	$ 359,345	$ 343,686	$0.80	0.26%	$ 68,264	$123,332
CVC European Equity III L.P.	Ltd. Partnership	914,411	9/04/01	517,945	658,977	0.72	0.50%	872,321	85,589
Madison Dearborn Capital Partners IV,L.P.	Ltd. Partnership	842,530	4/02/01	672,796	952,684	1.13	0.72%	283,123	157,470
Oak Investment Partners X L.P.	Ltd. Partnership	1,281,562	1/18/01	1,000,840	977,839	0.76	0.74%	309,775	218,438
				$2,550,926	$2,933,186		2.22%	$1,533,483	$584,829

Note 7. Capital Share Transactions

The Trust is authorized to issue an unlimited number of full and fractional shares of beneficial interest, $.001 par value per share. Transactions in capital shares of the Portfolio were as follows:

	For the Six Months Ended June 30, 2006 (unaudited)	For the Year Ended December 31, 2005
Shares sold	1,278,067	3,149,654
Shares redeemed	(1,483,777)	(3,040,456)
Net increase (decrease)	(205,710)	109,198

On June 30, 2006, the number of shareholders that held 5% or more of the outstanding shares of the Portfolio was as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
4	73%

Some of the shareholders are omnibus accounts, which hold shares on behalf of individual shareholders.

Note 8. Contingencies

In the normal course of business, the Portfolio may provide general indemnifications pursuant to certain contracts and organizational documents. The Portfolio's maximum exposure under these arrangements is dependent on future claims that may be made against the Portfolio and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

Important Privacy Choices for Consumers

We are committed to maintaining the privacy of every current and prospective customer. We recognize that you entrust important personal information to us, and we wish to assure you that we take seriously our responsibilities in protecting and safeguarding this information.

In connection with making available investment products and services to current and potential customers, we may obtain nonpublic personal information about you. This information may include your name, address, e-mail address, social security number, account number, assets, income, financial situation, transaction history and other personal information.

We may collect nonpublic information about you from the following sources:

- Information we receive on applications, forms, questionnaires, web sites, agreements or in the course of establishing or maintaining a customer relationship; and
- Information about your transactions with us, our affiliates, or others.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except with your consent or as otherwise permitted by law.

In cases where we believe that additional products and services may be of interest to you, we may share the information described above with our affiliates.

We may also disclose this information to firms that perform services on our behalf. These agents and service providers are required to treat the information confidentially and use it only for the purpose for which it is provided.

We restrict access to nonpublic personal information about you to those employees, agents or other parties who need to know that information to provide products or services to you or in connection with your investments with or through us. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Note: This Notice is provided to clients and prospective clients of Credit Suisse Asset Management, LLC ("Credit Suisse"), and Credit Suisse Asset Management Securities, Inc., and shareholders and prospective shareholders in Credit Suisse-sponsored and advised investment companies, including Credit Suisse Funds, and other consumers and customers, as applicable. This Notice is not intended to be incorporated in any offering materials but is merely a statement of our current Privacy Policy, and may be amended from time to time upon notice to you. This Notice is dated as of May 17, 2006.

Information regarding how the Portfolio voted proxies related to its portfolio securities during the 12-month period ended June 30 of each year, as well as the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities are available:

- By calling 1-800-222-8977
- On the Portfolio's website, www.credit-suisse.com/us
- On the website of the Securities and Exchange Commission, http://www.sec.gov.

The Portfolio files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Portfolio's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-202-551-8090.

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Dreyfus Investment Portfolios, MidCap Stock Portfolio

SEMIANNUAL REPORT June 30, 2006

Dreyfus
A Mellon Financial Company[SM]

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus portfolio are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus portfolio.

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LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Investment Portfolios, MidCap Stock Portfolio, covering the six-month period from January 1, 2006, through June 30, 2006.

Stock market gains over the first four months of 2006 were given back in May and June, when investors reacted negatively to suggestions that the U.S. Federal Reserve Board (the "Fed") and other central banks, in their fight against inflation, might raise short-term interest rates more than previously expected. In the judgment of our Chief Economist, Richard Hoey, the recent correction reflects an adjustment among leveraged investors toward lower risk levels as the U.S. economy moves into a more mature phase with milder rates of growth. In our view, corrections such as these generally are healthy mechanisms that help wring speculative excesses from the financial markets, potentially setting the stage for future rallies.

While a recession currently appears unlikely, a number of economic uncertainties remain. Indicators to watch in the months ahead include the outlook for inflation, the extent of softness in the U.S. housing market, the impact of slower economic growth on consumer spending, additional changes in interest rates from the Fed and other central banks, and the strength of the U.S. dollar relative to other major currencies. As always, we encourage you to discuss these and other investment-related issues with your financial advisor, who can help you prepare for the challenges and opportunities that lie ahead.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Fund Performance given by the fund's portfolio manager.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 17, 2006

DISCUSSION OF PERFORMANCE

John O'Toole, Portfolio Manager

How did Dreyfus Investment Portfolios, MidCap Stock Portfolio perform relative to its benchmark?

For the six-month period ended June 30, 2006, the portfolio's Initial shares produced a total return of 4.71%, and its Service shares produced a total return of 4.63%.[1] This compares with the total return of 4.24% provided by the portfolio's benchmark, the Standard & Poor's MidCap 400 Index (the "S&P 400"), for the same period.[2]

We attribute these results to continued U.S. economic growth in the face of high energy prices, mounting inflationary pressures and rising short-term interest rates. The stock market responded favorably to these conditions during the first four months of the reporting period before retreating in response to investor concerns in May and June. Midcap stocks outperformed their large-cap counterparts and slightly underperformed small-cap stocks. The portfolio shared in the midcap market's gains, delivering slightly better performance than its benchmark on the strength of good individual stock selections in the health care and consumer cyclical sectors.

What is the portfolio's investment approach?

The portfolio normally invests at least 80% of its assets in growth and value stocks of midsize companies, which are chosen through a disciplined process that combines computer modeling techniques, fundamental analysis and risk management.

In selecting securities, our investment team uses a computer model to identify and rank stocks within an industry or sector, based on:

- *value,* or how a stock is priced relative to its perceived intrinsic worth;
- *growth,* in this case the sustainability or growth of earnings; and
- *financial profile,* which measures the financial health of the company.

We then use fundamental analysis to select the most attractive of the higher ranked securities, drawing on a variety of sources, including internal as well as Wall Street research and company management. We attempt to manage risk by diversifying across companies and industries, limiting the potential adverse impact from any one stock or industry. The portfolio is structured so that its sector weightings and risk characteristics, such as growth, size, quality and yield, are similar to those of the S&P 400.

What other factors influenced the portfolio's performance?

The stock market climbed during the first four months of 2006, with the portfolio's benchmark rising nearly 10% from the beginning of January through early May. However, the market later gave up those gains, moving into negative territory by early June over concerns that economic growth might slow during the second half of 2006. A continuing flow of favorable economic news enabled the market to bounce back during the final weeks of June, enabling midcap stocks to post positive absolute returns for the reporting period overall.

Although the portfolio failed to match the market's gains during the first few months of 2006, it more than made up the difference during the second half of the reporting period. Individual stock selections proved to be particularly strong in the health care sector. Magellan Health Services, which expanded its focus into new, specialized health markets, and Laboratory Corporation of America Holdings, one of the nation's largest clinical labs, which reported strong financial results both helped the portfolio's performance. The portfolio also gained ground on its benchmark in the consumer cyclical sector as a result of good stock selections. Key holdings included American Eagle Outfitters, an apparel retailer that effectively targeted the youth market, and Choice Hotels International, which benefited from a boom in personal and business travel. Notably strong holdings in other areas included freight transportation service provider C.H. Robinson Worldwide and software systems developer Transactions Systems Architects.

On the other hand, a few stocks detracted from the portfolio's performance compared to the benchmark. Most significant of these were two energy holdings, independent oil and gas developer Pioneer Natural Resources and offshore drilling services provider ENSCO International. Both stocks retreated after posting sharp gains during the prior reporting period. In other areas, homebuilder NVR was hurt by a slowdown in housing starts prompted by rising interest rates, and poultry producer Pilgrim's Pride was undermined by consumers' avian flu concerns, leading us to sell the portfolio's position in the stock.

What is the portfolio's current strategy?

We believe the stock market, particularly in the midcap area, could prove vulnerable to slowing U.S. economic growth. In light of this concern, we are emphasizing companies that we believe offer greater predictability with regard to future revenue and earning prospects, and have the potential to deliver consistently positive financial results under a variety of economic conditions. At the same time, we are maintaining our disciplined midcap focus and a sector-neutral investment approach.

July 17, 2006

The portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the portfolio directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of Dreyfus Investment Portfolios, MidCap Stock Portfolio made available through insurance products may be similar to other funds/portfolios managed or advised by Dreyfus. However, the investment results of the portfolio may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund/portfolio.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, portfolio shares may be worth more or less than their original cost. The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns. Return figures provided reflect the absorption of certain portfolio expenses by The Dreyfus Corporation pursuant to an agreement in effect through December 31, 2006, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the portfolio's returns would have been lower.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's MidCap 400 Index is a widely accepted, unmanaged total return index measuring the performance of the midsize-company segment of the U.S. market.*

UNDERSTANDING YOUR PORTFOLIO'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads) and redemption fees, which are not shown in this section and would have resulted in higher total expenses. For more information, see your portfolio's prospectus or talk to your financial adviser.

Review your portfolio's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Investment Portfolios, MidCap Stock Portfolio from January 1, 2006 to June 30, 2006. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended June 30, 2006

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.01	$ 4.67
Ending value (after expenses)	$1,047.10	$1,046.30

COMPARING YOUR PORTFOLIO'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your portfolio's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the portfolio with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2006

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 3.96	$ 4.61
Ending value (after expenses)	$1,020.88	$1,020.23

† *Expenses are equal to the portfolio's annualized expense ratio of .79% for Initial shares and .92% for Service shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2006 (Unaudited)

Common Stocks—99.1%	Shares		Value ($)
Consumer Cyclical—10.5%			
Abercrombie & Fitch, Cl. A	66,800		3,702,724
American Eagle Outfitters	143,250		4,876,230
Barnes & Noble	70,500		2,573,250
CDW	42,300	a	2,311,695
Choice Hotels International	54,500		3,302,700
Continental Airlines, Cl. B	59,500	a,b	1,773,100
Dick's Sporting Goods	67,400	b	2,669,040
Domino's Pizza	81,900	a	2,026,206
Dress Barn	110,300	b	2,796,105
GameStop, Cl. A	79,850	a,b	3,353,700
Longs Drug Stores	58,100		2,650,522
Men's Wearhouse	54,800	a	1,660,440
MSC Industrial Direct, Cl. A	53,600		2,549,752
Polo Ralph Lauren	39,000		2,141,100
Sonic	82,000	b	1,704,780
United Auto Group	87,400	a	1,865,990
Williams-Sonoma	90,400		3,078,120
World Fuel Services	44,300		2,024,067
			47,059,521
Consumer Goods—2.9%			
BorgWarner	36,200		2,356,620
HNI	42,700		1,936,445
Life Time Fitness	40,700	b	1,883,189
Speedway Motorsports	28,900		1,090,686
Thor Industries	38,500		1,865,325
Toro	44,200		2,064,140
Whirlpool	21,400		1,768,710
			12,965,115
Consumer Staples—1.5%			
Hormel Foods	123,900		4,601,646
Pepsi Bottling Group	72,100		2,318,015
			6,919,661
Financial—17.6%			
American Financial Group/OH	91,850		3,940,365
AmeriCredit	122,300	b	3,414,616
Ameriprise Financial	45,300		2,023,551

Common Stocks (continued)	Shares		Value ($)
Financial (continued)			
BancorpSouth	105,300	a	2,869,425
BankUnited Financial, Cl. A	64,100		1,956,332
Cathay General Bancorp	73,450		2,672,111
CBL & Associates Properties	77,700	a	3,024,861
City National/Beverly Hills, CA	51,800		3,371,662
Colonial Properties Trust	45,800		2,262,520
Comerica	54,200		2,817,858
CompuCredit	65,000	a,b	2,498,600
Dime Bancorp (Warrants 12/26/2050)	19,900	b	4,378
Downey Financial	32,600	a	2,211,910
Equity One	107,000		2,236,300
Fidelity National Financial	43,300		1,686,535
First American	112,800		4,768,056
FirstFed Financial	39,600	a,b	2,283,732
Greenhill & Co.	26,500	a	1,610,140
Hanover Insurance Group	44,600		2,116,716
Mack-Cali Realty	72,200		3,315,424
New Plan Excel Realty Trust	167,300		4,130,637
Public Storage	36,000		2,732,400
SEI Investments	83,200		4,066,816
Selective Insurance Group	42,700	a	2,385,649
Sky Financial Group	94,500		2,231,145
StanCorp Financial Group	61,100		3,110,601
TCF Financial	81,700		2,160,965
Unitrin	55,900		2,436,681
WR Berkley	124,200		4,238,946
			78,578,932
Health Care—10.1%			
AmerisourceBergen	50,800		2,129,536
Beckman Coulter	89,800		4,988,390
Henry Schein	61,400	b	2,869,222
Hospira	56,300	b	2,417,522
IDEXX Laboratories	33,050	b	2,483,046
Invitrogen	55,600	b	3,673,492
King Pharmaceuticals	117,700	b	2,000,900
Kos Pharmaceuticals	33,800	b	1,271,556

Common Stocks (continued)	Shares		Value ($)
Health Care (continued)			
Laboratory Corp. of America Holdings	54,600	b	3,397,758
Magellan Health Services	69,900	b	3,167,169
MGI Pharma	109,000	b	2,343,500
Mine Safety Appliances	59,900	a	2,407,980
Pediatrix Medical Group	48,400	b	2,192,520
Sepracor	63,100	a,b	3,605,534
St. Jude Medical	51,100	b	1,656,662
United Therapeutics	25,600	b	1,478,912
Universal Health Services, Cl. B	64,100		3,221,666
			45,305,365
Industrial—15.0%			
Alliant Techsystems	35,800	b	2,733,330
Applied Industrial Technologies	104,100		2,530,671
CH Robinson Worldwide	112,500		5,996,250
Crane	68,000		2,828,800
Cummins	22,000		2,689,500
EGL	45,300	b	2,274,060
EMCOR Group	28,200	b	1,372,494
Expeditors International Washington	93,000		5,208,930
Florida Rock Industries	38,050		1,889,943
Flowserve	43,000	b	2,446,700
Genlyte Group	27,800	b	2,013,554
Graco	52,400		2,409,352
Granite Construction	31,600		1,430,532
Joy Global	37,250		1,940,353
Manpower	79,400		5,129,240
Monster Worldwide	35,400	b	1,510,164
NVR	3,475	a,b	1,707,094
Pacer International	69,800		2,274,084
Republic Services	96,100		3,876,674
Robert Half International	32,750		1,375,500
Ryder System	56,000		3,272,080
Teleflex	33,000		1,782,660
Texas Industries	36,900		1,959,390
Thomas & Betts	55,500	b	2,847,150

Common Stocks (continued)	Shares		Value ($)
Industrial (continued)			
Wabtec	36,500		1,365,100
Watsco	37,900		2,267,178
			67,130,783
Information Services—6.9%			
Catalina Marketing	69,700		1,983,662
CheckFree	38,300	b	1,898,148
ChoicePoint	63,300	b	2,644,041
Cognizant Technology Solutions, Cl. A	64,650	b	4,355,471
Corporate Executive Board	37,800		3,787,560
Emdeon	160,250	b	1,988,702
Equifax	71,200		2,445,008
Fair Isaac	69,600		2,527,176
Global Payments	52,900		2,568,295
John H. Harland	44,200		1,922,700
Washington Post, Cl. B	5,875		4,582,559
			30,703,322
Materials—6.9%			
Airgas	112,100		4,175,725
Ashland	43,200		2,881,440
Avery Dennison	45,800		2,659,148
Celanese, Ser. A	65,400		1,335,468
Commercial Metals	106,600		2,739,620
HB Fuller	44,400		1,934,508
Peabody Energy	150,700		8,401,525
Quanex	54,900		2,364,543
Temple-Inland	53,100		2,276,397
Universal Forest Products	30,500		1,913,265
			30,681,639
Oil & Gas Producers—8.4%			
Chesapeake Energy	103,050	a	3,117,262
Cimarex Energy	79,500		3,418,500
ENSCO International	91,100		4,192,422
Helmerich & Payne	68,900		4,151,914
Newfield Exploration	110,800	b	5,422,552
Oneok	51,300		1,746,252
Patterson-UTI Energy	100,600		2,847,986

Common Stocks (continued)	Shares		Value ($)
Oil & Gas Producers (continued)			
Pride International	135,300	b	4,225,419
Southwestern Energy	66,800	b	2,081,488
Superior Energy Services	70,300	a,b	2,383,170
Tesoro	26,500		1,970,540
Unit	39,400	a,b	2,241,466
			37,798,971
Technology—12.5%			
ADTRAN	84,100		1,886,363
Amphenol, Cl. A	69,000		3,861,240
Arrow Electronics	105,300	b	3,390,660
BEA Systems	150,900	b	1,975,281
Cadence Design Systems	188,800	b	3,237,920
CommScope	81,900	a,b	2,573,298
Harris	82,300		3,416,273
Imation	70,700		2,902,235
Lam Research	127,100	b	5,925,402
MEMC Electronic Materials	149,400	b	5,602,500
Microchip Technology	167,400	a	5,616,270
NCR	45,200	b	1,656,128
Novellus Systems	86,800	b	2,143,960
SanDisk	39,900	b	2,034,102
Sybase	158,300	b	3,071,020
Transaction Systems Architects	81,100	a,b	3,381,059
Western Digital	154,800	b	3,066,588
			55,740,299
Telecommunications—.5%			
NII Holdings	37,500	b	**2,114,250**
Utilities—6.3%			
AGL Resources	106,400		4,055,968
Allegheny Energy	67,400	b	2,498,518
Mirant	107,700	b	2,886,360
NRG Energy	54,300	b	2,616,174
OGE Energy	128,850		4,513,616
Pinnacle West Capital	67,000		2,673,970
UGI	110,600	a	2,722,972
WPS Resources	70,200		3,481,920

Common Stocks (continued)	Shares	Value ($)
Utilities (continued)		
Xcel Energy	141,300 [a]	2,710,134
		28,159,632
Total Common Stocks (cost $412,771,293)		**443,157,490**
Other Investment—1.4%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $6,429,000)	6,429,000 [c]	**6,429,000**
Investment of Cash Collateral for Securities Loaned—10.4%		
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $46,249,828)	46,249,828 [c]	**46,249,828**
Total Investments (cost $465,450,121)	**110.9%**	**495,836,318**
Liabilities, Less Cash and Receivables	**(10.9%)**	**(48,557,329)**
Net Assets	**100.0%**	**447,278,989**

[a] *All or a portion of these securities are on loan. At June 30, 2006, the total market value of the portfolio's securities on loan is $45,437,212 and the total market value of the collateral held by the portfolio is $46,249,828.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Financial	17.6	Information Services	6.9
Industrial	15.0	Materials	6.9
Technology	12.5	Utilities	6.3
Money Market Investments	11.8	Consumer Goods	2.9
Consumer Cyclical	10.5	Consumer Staples	1.5
Health Care	10.1	Telecommunications	.5
Oil & Gas Producers	8.4		**110.9**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2006 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $45,437,212)—Note 1(b):		
Unaffiliated issuers	412,771,293	443,157,490
Affiliated issuers	52,678,828	52,678,828
Cash		52,678
Receivable for investment securities sold		5,771,117
Dividends and interest receivable		378,549
Receivable for shares of Beneficial Interest subscribed		16,211
Prepaid expenses		15,941
		502,070,814
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		299,618
Liability for securities on loan—Note 1(b)		46,249,828
Payable for investment securities purchased		7,953,418
Payable for shares of Beneficial Interest redeemed		242,241
Interest payable—Note 2		1,228
Accrued expenses		45,492
		54,791,825
Net Assets ($)		**447,278,989**
Composition of Net Assets ($):		
Paid-in capital		378,331,395
Accumulated undistributed investment income—net		1,005,585
Accumulated net realized gain (loss) on investments		37,555,812
Accumulated net unrealized appreciation (depreciation) on investments		30,386,197
Net Assets ($)		**447,278,989**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	358,267,493	89,011,496
Shares Outstanding	21,203,143	5,289,500
Net Asset Value Per Share ($)	**16.90**	**16.83**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2006 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends:	
Unaffiliated issuers	2,736,051
Affiliated issuers	70,780
Income from securities lending	27,574
Total Income	**2,834,405**
Expenses:	
Investment advisory fee—Note 3(a)	1,716,478
Distribution fees—Note 3(b)	113,851
Professional fees	33,440
Custodian fees—Note 3(b)	22,171
Prospectus and shareholders' reports	21,054
Trustees' fees and expenses—Note 3(c)	6,261
Interest expense—Note 2	2,566
Shareholder servicing costs—Note 3(b)	1,516
Registration fees	530
Miscellaneous	5,898
Total Expenses	**1,923,765**
Less—waiver of fees due to undertaking—Note 3(a)	(55,723)
Net Expenses	**1,868,042**
Investment Income—Net	**966,363**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	37,588,721
Net unrealized appreciation (depreciation) on investments	(17,167,279)
Net Realized and Unrealized Gain (Loss) on Investments	**20,421,442**
Net Increase in Net Assets Resulting from Operations	**21,387,805**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations ($):		
Investment income—net	966,363	1,678,973
Net realized gain (loss) on investments	37,588,721	72,458,985
Net unrealized appreciation (depreciation) on investments	(17,167,279)	(35,672,859)
Net Increase (Decrease) in Net Assets Resulting from Operations	**21,387,805**	**38,465,099**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	(1,362,755)	(105,741)
Service shares	(160,836)	–
Net realized gain on investments:		
Initial shares	(58,101,236)	(1,407,926)
Service shares	(14,498,194)	(339,127)
Total Dividends	**(74,123,021)**	**(1,852,794)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial shares	15,290,607	33,046,475
Service shares	4,311,654	11,856,989
Dividends reinvested:		
Initial shares	59,463,991	1,513,667
Service shares	14,659,030	339,127
Cost of shares redeemed:		
Initial shares	(37,102,512)	(46,371,291)
Service shares	(8,661,927)	(11,602,504)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**47,960,843**	**(11,217,537)**
Total Increase (Decrease) in Net Assets	**(4,774,373)**	**25,394,768**
Net Assets ($):		
Beginning of Period	452,053,362	426,658,594
End of Period	**447,278,989**	**452,053,362**
Undistributed investment income—net	1,005,585	1,562,813

	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Capital Share Transactions:		
Initial Shares		
Shares sold	847,927	1,864,146
Shares issued for dividends reinvested	3,435,239	87,850
Shares redeemed	(2,020,199)	(2,589,219)
Net Increase (Decrease) in Shares Outstanding	**2,262,967**	**(637,223)**
Service Shares		
Shares sold	233,300	668,722
Shares issued for dividends reinvested	849,799	19,751
Shares redeemed	(476,299)	(655,124)
Net Increase (Decrease) in Shares Outstanding	**606,800**	**33,349**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single portfolio share. Total return shows how much your investment in the portfolio would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the portfolio's financial statements.

Initial Shares	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005	2004	2003	2002	2001
Per Share Data ($):						
Net asset value, beginning of period	19.15	17.62	15.82	12.04	13.80	14.29
Investment Operations:						
Investment income—net [a]	.04	.08	.07	.04	.04	.03
Net realized and unrealized gain (loss) on investments	.94	1.53	2.22	3.78	(1.76)	(.50)
Total from Investment Operations	.98	1.61	2.29	3.82	(1.72)	(.47)
Distributions:						
Dividends from investment income—net	(.07)	(.01)	(.07)	(.04)	(.04)	(.02)
Dividends from net realized gain on investments	(3.16)	(.07)	(.42)	–	–	–
Total Distributions	(3.23)	(.08)	(.49)	(.04)	(.04)	(.02)
Net asset value, end of period	16.90	19.15	17.62	15.82	12.04	13.80
Total Return (%)	4.71 [b]	9.17	14.48	31.72	(12.49)	(3.26)
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.39 [b]	.79	.78	.82	.85	.89
Ratio of net expenses to average net assets	.39 [b]	.79	.78	.82	.85	.89
Ratio of net investment income to average net assets	.22 [b]	.43	.43	.32	.32	.24
Portfolio Turnover Rate	79.04 [b]	99.27	79.75	74.15	69.15	76.37
Net Assets, end of period ($ x 1,000)	358,267	362,789	344,979	302,253	218,387	181,028

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
See notes to financial statements.

Services Shares	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005	2004	2003	2002	2001
Per Share Data ($):						
Net asset value, beginning of period	19.06	17.57	15.77	12.02	13.78	14.29
Investment Operations:						
Investment income—net [a]	.03	.04	.04	.02	.02	.01
Net realized and unrealized gain (loss) on investments	.94	1.52	2.21	3.75	(1.75)	(.50)
Total from Investment Operations	.97	1.56	2.25	3.77	(1.73)	(.49)
Distributions:						
Dividends from investment income—net	(.04)	–	(.03)	(.02)	(.03)	(.02)
Dividends from net realized gain on investments	(3.16)	(.07)	(.42)	–	–	–
Total Distributions	(3.20)	(.07)	(.45)	(.02)	(.03)	(.02)
Net asset value, end of period	16.83	19.06	17.57	15.77	12.02	13.78
Total Return (%)	4.63[b]	8.93	14.23	31.48	(12.64)	(3.36)
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.52[b]	1.04	1.03	1.06	1.10	1.17
Ratio of net expenses to average net assets	.46[b]	1.00	1.00	1.00	1.00	1.00
Ratio of net investment income to average net assets	.16[b]	.22	.22	.12	.15	.07
Portfolio Turnover Rate	79.04[b]	99.27	79.75	74.15	69.15	76.37
Net Assets, end of period ($ x 1,000)	89,011	89,264	81,680	58,224	18,320	9,764

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Investment Portfolios (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company currently offering nine series, including the MidCap Stock Portfolio (the "portfolio"). The portfolio is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The portfolio is a diversified series. The portfolio's investment objective is to provide investment results that are greater than the total return performance of publicly-traded common stocks of medium-size domestic companies in the aggregate, as represented by the Standard & Poor's MidCap 400 Index. The Dreyfus Corporation (the "Manager" or "Dreyfus") serves as the portfolio's investment adviser. The Manager is a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon Financial").

Dreyfus Service Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the portfolio's shares, which are sold without a sales charge. The portfolio is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan and the expenses borne by each class and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The portfolio's financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The portfolio's maximum exposure under these arrangements is unknown. The portfolio does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Investments in registered investment companies are valued at their net asset value. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the portfolio calculates its net asset value, the portfolio may value these investments at fair value as determined in accordance with the procedures approved by the Board of Trustees. Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADR's and futures contracts. For other securities that are fair valued by the Board of Trustees, certain factors may be considered such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold and public trading in similar securities of the issuer or comparable issuers. Financial futures are valued at the last sales price.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

The portfolio has an arrangement with the custodian bank whereby the portfolio receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the portfolio includes net earnings credits, if any, as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with Mellon Bank, N.A., an affiliate of the Manager, the portfolio may lend securities to qualified institutions. It is the portfolio's policy, that at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Cash collateral is invested in certain money market mutual funds managed by the Manager. The portfolio is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the portfolio bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner.

(c) Affiliated issuers: Investments in other investment companies advised by the Manager are defined as "affiliated" in the Act.

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain, if any, are normally declared and paid annually, but the portfolio may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, if any, it is the policy of the portfolio not to distribute such gain. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

(e) Federal income taxes: It is the policy of the portfolio to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2005 were as follows: ordinary income $105,741 and long-term capital gains $1,747,053. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Line of Credit:

The portfolio participates with other Dreyfus-managed funds in a $100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. Interest is charged to the portfolio based on prevailing market rates in effect at the time of borrowing.

The average daily amount of borrowings outstanding under the line of credit during the period ended June 30, 2006, was approximately $93,000, with a related weighted average annualized interest rate of 5.57%.

NOTE 3—Investment Advisory Fee and Other Transactions With Affiliates:

(a) Pursuant to an Investment Advisory Agreement with the Manager, the investment advisory fee is computed at the annual rate of .75% of the value of the portfolio's average daily net assets and is payable monthly.

The Manager had agreed, from January 1, 2006 to January 31, 2006, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class, exclusive of taxes, brokerage fees, interest on borrowings and extraordinary expenses, exceed 1% of the value of the average daily net assets of their class. The Manager has agreed from February 1, 2006 to July 31, 2006, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class, exclusive of certain expenses as described above, exceed .90% of the value of the average daily net assets of their class. During the period ended June 30, 2006, the Manager waived receipt of fees of $55,723, pursuant to the undertakings.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2006, Service shares were charged $113,851 pursuant to the Plan.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended June 30, 2006, the portfolio was charged $410 pursuant to the transfer agency agreement.

The portfolio compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the portfolio. During the period ended June 30, 2006, the portfolio was charged $22,171 pursuant to the custody agreement.

During the period ended June 30, 2006, the portfolio was charged $1,926 for services performed by the Chief Compliance Officer.

The components of Due to The Dreyfus Corporation and affiliates in the Statement of Assets and Liabilities consist of: investment advisory fees $267,390, Rule 12b-1 distribution plan fees $17,878, custodian fees $17,990, chief compliance officer fees $1,926 and transfer agency per account fees $192, which are offset against an expense reimbursement currently in effect in the amount of $5,758.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

(d) Pursuant to an exemptive order from the SEC, the portfolio may invest its available cash balances in affiliated money market mutual funds. Management fees of the underlying money market mutual funds have been waived by the Manager.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2006, amounted to $361,463,774 and $380,587,435, respectively.

At June 30, 2006, accumulated net unrealized appreciation on investments was $30,386,197, consisting of $43,454,321 gross unrealized appreciation and $13,068,124 gross unrealized depreciation.

At June 30, 2006, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE PORTFOLIO'S INVESTMENT ADVISORY AGREEMENT (Unaudited)

At a meeting of the Board of Trustees of Dreyfus Investment Portfolios (the "Company") held on January 26, 2006, the Board considered the re-approval, through its annual renewal date of August 31, 2006, of the portfolio's Investment Advisory Agreement, pursuant to which The Dreyfus Corporation (the "Manager") provides the portfolio with investment advisory and administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the Company, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

<u>Analysis of Nature, Extent and Quality of Services Provided to the Portfolio.</u> The Board members considered information previously provided to them in a presentation from representatives of the Manager at the July 12-13, 2005 Board meeting (the "July Meeting") regarding services provided to the portfolio and other funds in the Dreyfus fund complex, and representatives of the Manager confirmed that there had been no material changes in this information. The Board also discussed the nature, extent and quality of the services provided to the portfolio pursuant to the portfolio's Investment Advisory Agreement. The Manager's representatives reviewed the portfolio's distribution of accounts and the Board members also referenced information provided and discussions at the July Meeting regarding the relationships the Manager has with various intermediaries and the different needs of each. The Board members noted that the portfolio's shares are offered only to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Manager's representatives noted the diversity of distribution among the funds in the Dreyfus fund complex, and the Manager's corresponding need for broad, deep and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including that of the portfolio. The Board also reviewed the number of shareholder accounts in the portfolio, as well as the portfolio's asset size.

The Board members also considered the Manager's research and portfolio management capabilities and that the Manager also provides oversight of day-to-day portfolio operations, including portfolio accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered the Manager's extensive administrative, accounting and compliance infrastructure.

<u>Comparative Analysis of the Portfolio's Performance, Investment Advisory Fee and Expense Ratios.</u> The Board members reviewed the portfolio's performance, advisory fee and expense ratios and placed significant emphasis on comparisons to two groups of comparable funds and to Lipper averages (with respect to performance only). The Manager's representatives advised the Board members that the first comparison group of funds includes funds in the applicable Lipper category that are not subject to a Rule 12b-1 plan (collectively, "Comparison Group I") and that the second comparison group of funds includes funds in the applicable Lipper category that are subject to a Rule 12b-1 plan (collectively, "Comparison Group II"). Each group of comparable funds was previously approved by the Board for this purpose, and was prepared using a Board-approved selection methodology that was based, in part, on selecting non-affiliated funds reported in the same Lipper category as the portfolio. The Board members did not rely on comparisons to Lipper averages with respect to the portfolio's expense ratios because the average expense ratio of the applicable Lipper category for variable insurance products reflects not only expenses of mutual funds offered to fund variable annuity contracts and variable life insurance policies but also expenses of the separate accounts in which this type of mutual fund is offered.

The Board members discussed the results of the comparisons for various periods ended November 30, 2005, and it was noted that the total return performance of the portfolio's Initial shares (which are not subject to a Rule 12b-1 plan) was below the averages of Comparison Group I for the one-, three- and five-year periods, and that the total return performance of the portfolio's Service shares (which are subject to a Rule 12b-1 plan) was below the averages of Comparison Group II for the one- and three-year periods and was above the average of Comparison Group II for the five-year period. It was noted that the five-year total return performance of the portfolio's Service shares reflects the performance of the portfolio's Initial shares prior to December 31, 2000 (at which time the portfolio began offering Service shares) and reflects the performance of the portfolio's Service shares thereafter. The Board members noted that the portfolio's performance was improving and that the Manager had reassessed the factors included in the model used for selecting stocks for the portfolio. The Board noted that the total return performance of the portfolio's Initial shares and Service shares was below the Comparison Group I and Comparison Group II Lipper category averages, respectively, for the one-, three- and five-year periods.

The Board members also discussed the portfolio's expense ratios, noting that the expense ratio of the portfolio's Initial shares was lower than the average expense ratio of Comparison Group I and that the current fee waiver and expense reimbursement arrangement undertaken by the Manager had caused the expense ratio of the portfolio's Service shares to be comparable to the average expense ratio of Comparison Group II. The Board reviewed the range of management fees in each comparison group, noting several funds having the same or higher management fees than the portfolio. The Board members also considered the Manager's contractual undertaking for the portfolio in effect through December 31, 2006. They requested that the Manager waive additional amounts with respect to the portfolio, until July 31, 2006, so that the expenses of neither class of the portfolio's shares (excluding taxes, brokerage commissions, extraordinary expenses, interest expenses and commitment fees on borrowings) exceed 0.90% (versus 1.00% under the former waiver), and the Manager agreed to that request.

Representatives of the Manager reviewed with the Board members the fees paid to the Manager or its affiliates by mutual funds managed by the Manager or its affiliates with similar investment objectives, policies and strategies as the portfolio (the "Similar Funds"), and by other accounts managed or sub-advised by the Manager or its affiliates with similar investment objectives, policies and strategies as the portfolio (collectively with the Similar Funds, the "Similar Accounts"). The Manager's representatives explained the nature of the Similar Accounts and the differences, from the Manager's perspective, in management of the Similar Accounts as compared to managing and providing services to the portfolio. The Manager's representatives also reviewed the costs associated with distribution through intermediaries. The Board analyzed the differences in fees paid to the Manager and discussed the relationship of the advisory fees paid in light of the Manager's performance and the services provided; it was noted that the Similar Funds generally had management fees that were comparable to the fee borne by the portfolio or reflected the pricing of a "unitary fee" fund or a fund that imposes a separate administration fee. The Board members considered the relevance of the fee information provided for the Similar Accounts managed by the Manager to evaluate the appropriateness and reasonableness of the portfolio's advisory fees. The Board acknowledged that differences in fees paid by the Similar Accounts seemed to be consistent with the services provided.

Analysis of Profitability and Economies of Scale. The Manager's representatives reviewed the dollar amount of expenses allocated and profit received by the Manager and the method used to determine such expenses and profit. The Board considered information, previously provided and discussed, prepared by an independent consulting firm regarding the Manager's approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus mutual fund complex. The Board members also considered that the methodology had been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reasonable. The consulting firm also analyzed where any economies of scale might emerge in connection with the management of the portfolio. The Board members evaluated the analysis in light of the relevant circumstances for the portfolio, and the extent to which economies of scale would be realized as the portfolio grows and whether fee levels reflect these economies of scale for the benefit of portfolio investors. The Board noted that it appeared that the benefits of any economies of scale also would be appropriately shared with shareholders through increased investment in fund management and administration resources. The Board members also considered potential benefits to the Manager from acting as investment adviser to the portfolio, including soft dollar arrangements with respect to trading the portfolio's portfolio.

It was noted that the Board members should consider the Manager's profitability with respect to the portfolio as part of their evaluation of whether the fee under the Investment Advisory Agreement bears a reasonable relationship to the mix of services provided by the Manager, including the nature, extent and quality of such services and that discussions of economies of scale historically have been predicated on increasing assets and that, if a portfolio's assets had been decreasing, the extent to which the Manager may have realized any economies of scale would be less. The Board members also discussed the profitability percentage ranges determined by appropriate court cases to be reasonable given the services rendered to investment companies. It was noted that the profitability percentage for managing the portfolio was not unreasonable given the portfolio's overall performance and generally superior service levels provided. The Board also noted the current fee waiver and expense reimbursement arrangement and its effect on the profitability of the Manager.

At the conclusion of these discussions, each Board member expressed the opinion that he or she had been furnished with sufficient information to make an informed business decision with respect to continuation of the portfolio's Investment Advisory Agreement. Based on their discussions and considerations as described above, the Board made the following conclusions and determinations with respect to the portfolio.

- The Board concluded that the nature, extent and quality of the services provided by the Manager to the portfolio are adequate and appropriate.
- While the Board was concerned with the portfolio's total return performance, the Board members noted that the portfolio's short-term performance is improving and the Manager had reassessed the factors included in the model used for selecting stocks for the portfolio.
- The Board concluded that the fee paid to the Manager by the portfolio was reasonable in light of the services provided, comparative performance and expense and advisory fee information, including the Manager's undertaking to waive or reimburse certain fees and expenses, particularly given the Manager's increase in the amount of the waiver pertaining to the portfolio, costs of the services provided and profits to be realized and benefits derived or to be derived by the Manager from its relationship with the portfolio.
- The Board determined that the economies of scale which may accrue to the Manager and its affiliates in connection with the management of the portfolio had been adequately considered by the Manager in connection with the advisory fee rate charged to the portfolio, and that, to the extent in the future it were determined that material economies of scale had not been shared with the portfolio, the Board would seek to have those economies of scale shared with the portfolio.

The Board members considered these conclusions and determinations, along with the information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the portfolio's Investment Advisory Agreement was in the best interests of the portfolio and its shareholders and that the Investment Advisory Agreement would be renewed through its annual renewal date of August 31, 2006.

NOTES

For More Information

Dreyfus
Investment Portfolios,
MidCap Stock Portfolio
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

Transfer Agent &
Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The portfolio's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

A description of the policies and procedures that the portfolio uses to determine how to vote proxies relating to portfolio securities, and information regarding how the portfolio voted these proxies for the 12-month period ended June 30, 2006, is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

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The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT June 30, 2006

Dreyfus
A Mellon Financial Company℠

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

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THE FUND

FOR MORE INFORMATION

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this semiannual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the six-month period from January 1, 2006, through June 30, 2006.

Stock market gains over the first four months of 2006 were given back in May and June, when investors reacted negatively to suggestions that the U.S. Federal Reserve Board (the "Fed") and other central banks, in their fight against inflation, might raise short-term interest rates more than previously expected. In the judgment of our Chief Economist, Richard Hoey, the recent correction reflects an adjustment among leveraged investors toward lower risk levels as the U.S. economy moves into a more mature phase with milder rates of growth. In our view, corrections such as these generally are healthy mechanisms that help wring speculative excesses from the financial markets, potentially setting the stage for future rallies.

While a recession currently appears unlikely, a number of economic uncertainties remain. Indicators to watch in the months ahead include the outlook for inflation, the extent of softness in the U.S. housing market, the impact of slower economic growth on consumer spending, additional changes in interest rates from the Fed and other central banks, and the strength of the U.S. dollar relative to other major currencies. As always, we encourage you to discuss these and other investment-related issues with your financial advisor, who can help you prepare for the challenges and opportunities that lie ahead.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Fund Performance given by the fund's portfolio managers.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 17, 2006

John O'Toole and Jocelin Reed, Portfolio Managers

How did The Dreyfus Socially Responsible Growth Fund perform relative to its benchmark?

For the six-month period ended June 30, 2006, the fund's Initial shares produced a −1.01% total return, and the fund's Service shares produced a −1.12% total return.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a 2.71% total return for the same period.[2] The Russell 1000 Growth Index, a large-cap growth index that we believe more closely matches the fund's current investment profile, produced a −0.93% total return.[3]

Continued economic growth supported the stock market's advance during the first four months of the reporting period. However, high energy prices and mounting inflationary pressures raised concerns over the prospects for future growth, undermining the market's performance during May and June. Growth-oriented stocks proved especially vulnerable during the market's retreat, as investors shifted assets toward traditionally defensive stocks. While the fund participated in the market's rise from January through April, our emphasis on growth stocks caused the fund's performance to lag the benchmark during the final two months of the reporting period.

What is the fund's investment approach?

The fund seeks to provide capital growth, with current income as a secondary objective. To pursue these goals, the fund invests at least 80% of its assets in the common stocks of companies that, in the opinion of the fund's management, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America.

The fund's investment strategy combines a disciplined investment process that consists of computer modeling techniques, fundamental analysis and risk management with a social investment process.

In selecting stocks, the portfolio managers begin by using quantitative research to identify and rank stocks within an industry or sector, based on several characteristics, including:

- value, or how a stock is priced relative to its perceived intrinsic worth
- growth, in this case the sustainability or growth of earnings
- financial profile, which measures the financial health of the company

Next, based on fundamental analysis, the portfolio managers designate the most attractive of the higher ranked securities as potential purchase candidates, drawing on a variety of sources, including company management and internal as well as Wall Street research.

The portfolio managers then evaluate each stock considered to be a potential purchase candidate, by industry or sector, to determine whether the company enhances the quality of life in America by considering its record in the areas of:

- protection and improvement of the environment and the proper use of our natural resources
- occupational health and safety
- consumer protection and product purity
- equal employment opportunity

Consistent with its consumer protection screen, the fund will not purchase shares in a company that manufactures tobacco products.

If the portfolio managers determine that a company fails to meet the fund's social criteria, the stock will not be purchased, or if it is already owned, it will be sold as soon as reasonably possible, consistent with the best interests of the fund. If the portfolio managers' assessment does not reveal a negative pattern of conduct in these social areas, the company's stock is eligible for purchase or retention.

The portfolio managers then further examine the companies determined to be eligible for purchase, by industry or sector, and select investments from those companies the portfolio managers consider to be the most attractive based on financial considerations. If there is more than one company to choose from, the portfolio managers can select stocks of companies that they consider to have records that exhibit positive accomplishments in the fund's areas of social concern.

The fund normally focuses on large-cap growth stocks; however, the portfolio managers may emphasize different types of growth-oriented stocks and different market capitalizations within the large-capitalization range as market conditions warrant. The fund also may invest in value-oriented stocks, midcap stocks and small-cap stocks.

What other factors influenced the fund's performance?

Some of the market's largest gains over the first half of 2006 were produced by energy and financial stocks, traditionally value-oriented sectors in which the fund maintained less exposure relative to its benchmark. However, the fund compensated to a degree for its underweight position in these sectors through the success of our security selection strategy. Good performers among financial stocks included Goldman Sachs Group, Suntrust Banks and Bank of America, while the fund's energy holdings focused on a variety of oil service providers. The fund's returns relative to the benchmark also suffered from its relatively heavy exposure to traditionally growth-oriented technology stocks, such as Motorola and Dell, which offered little in the way of exciting new product innovation. The fund's performance also was undermined by declines in individual holdings in the health care and consumer cyclical sectors. In the health care sector, holdings such as Wellpoint, Aetna and Alcon detracted significantly from the fund's returns. Among the fund's consumer holdings, retailers Chico's FAS and Coach retreated over investors' concerns regarding future consumer spending.

On a more positive note, the fund's stock selections added value in several market sectors during the reporting period. Notably strong performers included rail transport provider Burlington Northern Santa Fe and industrial equipment producer Emerson Electric. Returns further benefited from the fund's exposure to select media companies, such as News Corp. and The Walt Disney Co., along with staffing and outsourcing services provider Manpower.

What is the fund's current strategy?

We have maintained the fund's growth-oriented investment approach, which led us to emphasize positions in the technology and health care sectors. Conversely, the fund ended the reporting period with somewhat less exposure than the benchmark to financial stocks, particularly those that tend to be more sensitive to rising interest rates. Our investment strategy also considers the fund's socially responsible investment criteria.

Can you highlight some of the fund's socially responsible investing activities?

One of the social screens built into the fund's quantitatively based screening process focuses on a company's record in offering equal opportunities to its employees. We believe that such practices not only enhance the quality of life, but also make it easier for companies to attract and retain qualified employees.

The fund's investment in Manpower, Inc., a global staffing company, illustrates how our screening process works. The company attracted our interest when our fundamental research identified it as a potentially attractive investment opportunity. Our socially responsible screening process then took note of the company's strong track record of placing older and disabled employees, and its focus on providing excellent educational benefits to its global workforce.

For further information regarding the fund's approach to socially responsible investing, please consult the fund's prospectus.

July 17, 2006

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of The Dreyfus Socially Responsible Growth Fund, Inc. made available through insurance products may be similar to other funds/portfolios managed or advised by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund/portfolio.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance.*

3 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Russell 1000 Growth Index is a widely accepted, unmanaged large-cap index that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads) and redemption fees, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. from January 1, 2006 to June 30, 2006. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended June 30, 2006

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.05	$ 5.23
Ending value (after expenses)	$989.90	$988.80

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2006

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.11	$ 5.31
Ending value (after expenses)	$1,020.73	$1,019.54

† *Expenses are equal to the fund's annualized expense ratio of .82% for Initial shares and 1.06% for Service shares; multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2006 (Unaudited)

Common Stocks—99.5%	Shares		Value ($)
Consumer Cyclical—11.1%			
Advance Auto Parts	69,700		2,014,330
Bed Bath & Beyond	86,000	a	2,852,620
Coach	116,800	a	3,492,320
Costco Wholesale	87,100		4,976,023
Darden Restaurants	76,800		3,025,920
Home Depot	232,400	b	8,317,596
Lowe's Cos.	47,200		2,863,624
Nordstrom	114,800		4,190,200
Office Depot	69,800	a	2,652,400
Target	122,700	b	5,996,349
TJX Cos.	124,800		2,852,928
			43,234,310
Consumer Goods—1.1%			
Mattel	249,500		**4,119,245**
Consumer Staples—8.1%			
Avon Products	81,600		2,529,600
General Mills	62,800		3,244,248
Kimberly-Clark	73,000		4,504,100
PepsiCo	224,600		13,484,984
Procter & Gamble	145,200		8,073,120
			31,836,052
Financial—12.7%			
American Express	116,100		6,178,842
Bank of America	71,800		3,453,580
Capital One Financial	85,100		7,271,795
CIT Group	44,000		2,300,760
Genworth Financial, Cl. A	84,800		2,954,432
Goldman Sachs Group	47,800		7,190,554
Hartford Financial Services Group	36,000		3,045,600
Lincoln National	41,600	b	2,347,904
SLM	56,300		2,979,396
St. Paul Travelers Cos.	75,900		3,383,622
SunTrust Banks	33,800		2,577,588
T Rowe Price Group	65,000		2,457,650
US Bancorp	111,600		3,446,208
			49,587,931

Common Stocks (continued)	Shares		Value ($)
Health Care—17.0%			
Aetna	91,900		3,669,567
Alcon	30,000		2,956,500
Amgen	63,700	a	4,155,151
Baxter International	111,400		4,095,064
Becton, Dickinson & Co.	75,800		4,633,654
Genzyme	85,300	a	5,207,565
Gilead Sciences	66,200	a	3,916,392
Johnson & Johnson	305,600		18,311,552
Novartis, ADR	117,800		6,351,776
Quest Diagnostics	60,700		3,637,144
WellPoint	100,900	a	7,342,493
Zimmer Holdings	38,600	a	2,189,392
			66,466,250
Industrial—10.5%			
Burlington Northern Santa Fe	42,600		3,376,050
CH Robinson Worldwide	55,700		2,968,810
Eaton	44,600		3,362,840
Emerson Electric	121,100		10,149,391
Manpower	80,500		5,200,300
Rockwell Automation	53,100		3,823,731
Rockwell Collins	80,900		4,519,883
United Technologies	120,900		7,667,478
			41,068,483
Information/Data—9.7%			
Accenture, Cl. A	105,100		2,976,432
Equifax	83,500		2,867,390
Google, Cl. A	15,800	a	6,625,414
McGraw-Hill Cos.	81,700		4,103,791
Moody's	72,700		3,959,242
NAVTEQ	66,500	a	2,971,220
News, Cl. B	390,100	b	7,872,218
VeriSign	86,400	a	2,001,888
Walt Disney	148,000		4,440,000
			37,817,595
Materials—3.1%			
3M	57,700		4,660,429

Common Stocks (continued)	Shares		Value ($)
Materials (continued)			
Air Products & Chemicals	43,900		2,806,088
Ecolab	118,400		4,804,672
			12,271,189
Oil & Gas Producers—4.5%			
Anadarko Petroleum	95,500	b	4,554,395
ENSCO International	58,200		2,678,364
Pioneer Natural Resources	84,300	b	3,912,363
Todco, Cl. A	69,900		2,855,415
XTO Energy	80,200	b	3,550,454
			17,550,991
Technology—21.0%			
Apple Computer	60,900	a	3,478,608
Cisco Systems	505,800	a	9,878,274
Danaher	63,600		4,090,752
Dell	203,800	a	4,974,758
EMC/Massachusetts	209,100	a	2,293,827
Intel	259,200		4,911,840
International Business Machines	116,900		8,980,258
Microchip Technology	124,900		4,190,395
Microsoft	642,900		14,979,570
Motorola	318,900		6,425,835
National Semiconductor	130,000		3,100,500
Qualcomm	190,600		7,637,342
Texas Instruments	235,000		7,118,150
			82,060,109
Utilities—.7%			
NiSource	121,600	b	**2,655,744**
Total Common Stocks (cost $373,336,734)			**388,667,899**

Short-Term Investments—.0%	Principal Amount ($)	Value ($)
Negotiable Bank Certificate Of Deposit;		
Self-Help Credit Union 4.58%, 9/14/06 (cost $100,000)	100,000	**100,000**

Investment of Cash Collateral for Securities Loaned—2.5%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Plus Fund (cost $9,722,453)	9,722,453 [c]	**9,722,453**
Total Investments (cost $383,159,187)	**102.0%**	**398,490,352**
Liabilities, Less Cash and Receivables	**(2.0%)**	**(7,890,640)**
Net Assets	**100.0%**	**390,599,712**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *All or a portion of these securities are on loan. At June 30, 2006, the total market value of the fund's securities on loan is $17,715,711 and the total market value of the collateral held by the fund is $18,553,653, consisting of cash collateral of $9,722,453 and U.S. Government and agency securities valued at $8,831,200.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Technology	21.0	Oil & Gas Producers	4.5
Health Care	17.0	Materials	3.1
Financial	12.7	Short-Term/ Money Market Investments	2.5
Consumer Cyclical	11.1	Consumer Goods	1.1
Industrial	10.5	Utilities	.7
Information/Data	9.7		
Consumer Staples	8.1		**102.0**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2006 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—		
See Statement of Investments (including securities on loan, valued at $17,715,711)—Note 1(b):		
Unaffiliated issuers	373,436,734	388,767,899
Affiliated issuers	9,722,453	9,722,453
Cash		47,575
Receivable for investment securities sold		4,223,446
Dividends and interest receivable		168,044
Receivable for shares of Common Stock subscribed		7,797
Prepaid expenses		18,146
		402,955,360
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		256,191
Liability for securities on loan—Note 1(b)		9,722,453
Bank note payable—Note 2		2,120,000
Payable for shares of Common Stock redeemed		185,275
Accrued expenses		71,729
		12,355,648
Net Assets ($)		**390,599,712**
Composition of Net Assets ($):		
Paid-in capital		574,096,159
Accumulated undistributed investment income—net		723,471
Accumulated net realized gain (loss) on investments		(199,551,083)
Accumulated net unrealized appreciation (depreciation) on investments		15,331,165
Net Assets ($)		**390,599,712**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	379,159,157	11,440,555
Shares Outstanding	14,703,037	446,794
Net Asset Value Per Share ($)	**25.79**	**25.61**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2006 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $27,636 foreign taxes withheld at source):	
Unaffiliated issuers	2,380,208
Affiliated issuers	5,841
Interest	36,887
Income from securities lending	18,916
Total Income	**2,441,852**
Expenses:	
Investment advisory fee—Note 3(a)	1,560,391
Professional fees	48,007
Prospectus and shareholders' reports	42,621
Custodian fees—Note 3(c)	16,241
Distribution fees—Note 3(b)	14,970
Interest expense—Note 2	8,359
Shareholder servicing costs—Note 3(c)	7,267
Directors' fees and expenses—Note 3(d)	6,278
Loan commitment fees—Note 2	2,646
Registration fees	56
Miscellaneous	7,125
Total Expenses	**1,713,961**
Less—reduction in custody fees due to earnings credits—Note 1(b)	(2,186)
Net Expenses	**1,711,775**
Investment Income—Net	**730,077**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	17,253,394
Net unrealized appreciation (depreciation) on investments	(21,430,944)
Net Realized and Unrealized Gain (Loss) on Investments	**(4,177,550)**
Net (Decrease) in Net Assets Resulting from Operations	**(3,447,473)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations ($):		
Investment income—net	730,077	425,025
Net realized gain (loss) on investments	17,253,394	66,981,589
Net unrealized appreciation (depreciation) on investments	(21,430,944)	(52,689,108)
Net Increase (Decrease) in Net Assets Resulting from Operations	**(3,447,473)**	**14,717,506**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	**(431,631)**	**–**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial shares	4,248,327	17,384,093
Service shares	526,354	1,656,359
Dividends reinvested:		
Initial shares	431,631	–
Cost of shares redeemed:		
Initial shares	(40,676,825)	(101,794,701)
Service shares	(1,277,710)	(3,222,562)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(36,748,223)**	**(85,976,811)**
Total Increase (Decrease) in Net Assets	**(40,627,327)**	**(71,259,305)**
Net Assets ($):		
Beginning of Period	431,227,039	502,486,344
End of Period	**390,599,712**	**431,227,039**
Undistributed investment income—net	723,471	425,025
Capital Share Transactions (Shares):		
Initial Shares		
Shares sold	160,141	695,015
Shares issued for dividends reinvested	15,986	–
Shares redeemed	(1,534,855)	(4,060,531)
Net Increase (Decrease) in Shares Outstanding	**(1,358,728)**	**(3,365,516)**
Service Shares		
Shares sold	19,989	66,883
Shares redeemed	(48,496)	(129,971)
Net Increase (Decrease) in Shares Outstanding	**(28,507)**	**(63,088)**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005	2004	2003	2002	2001
Per Share Data ($):						
Net asset value, beginning of period	26.08	25.17	23.79	18.90	26.67	34.47
Investment Operations:						
Investment income—net [a]	.05	.03	.09	.02	.05	.02
Net realized and unrealized gain (loss) on investments	(.31)	.88	1.39	4.89	(7.77)	(7.80)
Total from Investment Operations	(.26)	.91	1.48	4.91	(7.72)	(7.78)
Distributions:						
Dividends from investment income—net	(.03)	–	(.10)	(.02)	(.05)	(.02)
Net asset value, end of period	25.79	26.08	25.17	23.79	18.90	26.67
Total Return (%)	(1.01)[b]	3.62	6.21	26.00	(28.94)	(22.57)
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.40[b]	.81	.82	.84	.80	.78
Ratio of net expenses to average net assets	.40[b]	.81	.82	.84	.80	.78
Ratio of net investment income to average net assets	.18[b]	.10	.38	.12	.20	.06
Portfolio Turnover Rate	17.88[b]	94.99	55.54	63.17	90.07	110.82
Net Assets, end of period ($ x 1,000)	379,159	418,916	488,994	521,262	456,014	779,063

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005	2004	2003	2002	2001
Per Share Data ($):						
Net asset value, beginning of period	25.90	25.06	23.69	18.84	26.59	34.47
Investment Operations:						
Investment income (loss)—net [a]	.01	(.04)	.04	(.03)	(.00)[b]	(.06)
Net realized and unrealized gain (loss) on investments	(.30)	.88	1.37	4.88	(7.75)	(7.82)
Total from Investment Operations	(.29)	.84	1.41	4.85	(7.75)	(7.88)
Distributions:						
Dividends from investment income—net	–	–	(.04)	(.00)[b]	(.00)[b]	(.00)[b]
Net asset value, end of period	25.61	25.90	25.06	23.69	18.84	26.59
Total Return (%)	(1.12)[c]	3.35	5.94	25.75	(29.14)	(22.85)
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.53[c]	1.06	1.06	1.09	1.03	1.09
Ratio of net expenses to average net assets	.53[c]	1.06	1.06	1.09	1.03	1.09
Ratio of net investment income (loss) to average net assets	.05[c]	(.15)	.17	(.14)	(.01)	(.20)
Portfolio Turnover Rate	17.88[c]	94.99	55.54	63.17	90.07	110.82
Net Assets, end of period ($ x 1,000)	11,441	12,311	13,492	12,202	8,115	8,275

[a] *Based on average shares outstanding at each month end.*
[b] *Amount represents less than $.01 per share.*
[c] *Not annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

The Dreyfus Socially Responsible Growth Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified open-end management investment company. The fund's investment objective is to provide capital growth, with current income as a secondary goal through equity investments in companies that not only meet traditional investment standards, but which also show evidence that they conduct their business in a manner that contributes to the enhancement of the quality of life in America. The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Dreyfus Corporation (the "Manager" or "Dreyfus") serves as the fund's investment adviser. The Manager is a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon Financial").

Dreyfus Service Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue 300 million shares of $.001 par value Common Stock in each of the following classes of shares: Initial shares (150 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a shareholder services fee and Service shares are subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the shareholder services plan, the distribution plan, and the expenses borne by each class and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available, are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Investments in registered investment companies are valued at their net asset value. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Directors. Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADR's and futures contracts. For other securities that are fair valued by the Board of

Directors, certain factors may be considered such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold and public trading in similar securities of the issuer or comparable issuers.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

The fund has an arrangement with the custodian bank whereby the fund receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with Mellon Bank, N.A., an affiliate of the Manager, the fund may lend securities to qualified institutions. It is the fund's policy, that at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Cash collateral is invested in certain money market mutual funds managed by the Manager. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner.

(c) Affiliated issuers: Investments in other investment companies advised by the Manager are defined as "affiliated" in the Act.

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

The fund has an unused capital loss carryover of $216,800,088 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2005. If not applied, $93,194,872 of the carryover expires in fiscal 2009, $103,833,733 expires in fiscal 2010 and $19,771,483 expires in fiscal 2011.

There were no distributions paid to shareholders during the fiscal year ended December 31, 2005. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a $350 million redemption credit facility (the "Facility") to be utilized for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay commitment fees on its pro rata portion of the Facility. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowing.

The average daily amount of borrowing outstanding under the Facility during the period ended June 30, 2006 was approximately $286,800, with a related weighted average annualized interest rate of 5.88%.

NOTE 3—Investment Advisory Fee and Other Transactions with Affiliates:

(a) Pursuant to an Investment Advisory Agreement with the Manager, the investment advisory fee is computed at the annual rate of .75% of the value of the fund's average daily net assets and is payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2006, Service shares were charged $14,970 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25% of the value of Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts. During the period ended June 30, 2006, Initial shares were charged $6,642 pursuant to the Shareholder Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended June 30, 2006, the fund was charged $625 pursuant to the transfer agency agreement.

The fund compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2006, the fund was charged $16,241 pursuant to the custody agreement.

During the period ended June 30, 2006, the fund was charged $1,926 for services performed by the Chief Compliance Officer.

The components of Due to The Dreyfus Corporation and affiliates in the Statement of Assets and Liabilities consist of: investment advisory fees $240,700, Rule 12b-1 distribution plan fees $2,346, shareholder services plan fees $76, custodian fees $10,876, chief compliance officer fees $1,926 and transfer agency per account fees $267.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

(e) Pursuant to an exemptive order from the SEC, the fund may invest its available cash balances in affiliated money market mutual funds. Management fees of the underlying money market mutual funds have been waived by the Manager.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2006, amounted to $74,171,501 and $106,762,343, respectively.

At June 30, 2006, accumulated net unrealized appreciation on investments was $15,331,165, consisting of $34,277,714 gross unrealized appreciation and $18,946,549 gross unrealized depreciation.

At June 30, 2006, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE FUND'S INVESTMENT ADVISORY AGREEMENT (Unaudited)

At a meeting of the Board of Directors of the fund held on January 26, 2006, the Board considered the re-approval, through its annual renewal date of July 29, 2006, of the fund's Management Agreement, pursuant to which The Dreyfus Corporation (the "Manager") provides the fund with investment advisory and administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

Analysis of Nature, Extent and Quality of Services Provided to the Fund. The Board members considered information previously provided to them in a presentation from representatives of the Manager at the July 12-13, 2005 Board meeting (the "July Meeting") regarding services provided to the fund and other funds in the Dreyfus fund complex, and representatives of the Manager confirmed that there had been no material changes in this information. The Board also discussed the nature, extent and quality of the services provided to the fund pursuant to the fund's Management Agreement. The Manager's representatives reviewed the types of shareholder accounts and the Board members also referenced information provided and discussions at the July Meeting regarding the relationships the Manager has with various intermediaries and the different needs of each. The Board members noted that the fund's shares are offered only to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Manager's representatives noted the diversity of distribution among the funds in the Dreyfus fund complex, and the Manager's corresponding need for broad, deep and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including that of the fund. The Board also reviewed the number of shareholder accounts in the fund, as well as the fund's asset size.

The Board members also considered the Manager's research and portfolio management capabilities and that the Manager also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered the Manager's extensive administrative, accounting and compliance infrastructure.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board members reviewed the fund's performance, management fee and expense ratio and placed significant emphasis on comparisons to three groups of funds and Lipper averages (as to performance for the second and third groups of funds only). The first comparison group of funds includes only funds that use one or more social screens when choosing securities for the funds' portfolios (collectively, "Comparison Group I"), the second comparison group of funds includes only funds in the fund's Lipper category that are not subject to a Rule 12b-1 plan (collectively, "Comparison Group II") and the third group of funds includes only funds in the applicable Lipper category that are subject to a Rule 12b-1 plan (collectively, "Comparison Group III"). Each group of funds was previously approved by the Board for this purpose, and was prepared using a Board-approved list with respect to the socially responsible funds (as to Comparison Group I) and a Board-approved selection methodology that was based, in part, on selecting non-affiliated funds reported in the same Lipper category as the fund (as to Comparison Group II and Comparison Group III). The Board members did not rely on comparisons to Lipper averages with respect to the fund's expense ratio because the average expense ratio of the applicable Lipper category for variable insurance products reflects not only expenses of mutual funds offered to fund variable annuity contracts and variable life insurance policies but also expenses of the separate accounts in which this type of mutual fund is offered.

The Board members discussed the results of the comparisons for various periods ended November 30, 2005, and it was noted that the total return performance of the fund's Initial shares (which are not subject to a Rule 12b-1 plan) was above the Comparison Group I average for the one-year period, was below the Comparison Group I averages for the three- and five-year periods and was below the Comparison Group II averages for the one-, three- and five-year periods, and that the total return performance of the fund's Service shares (which are subject to a Rule 12b-1 plan) was below the Comparison Group III averages for the one-, three- and five-year periods. The Board noted that the fund's total return performance was below the Comparison Group II and Comparison Group III Lipper category averages for the one-, three- and five-year periods. The Manager's representatives advised the Board members that, as of December 31, 2005, the fund's performance ranked 6 of 10 versus Comparison Group I, and the Board members also noted that the fund's short-term performance was improving. The Board members also received a report from the fund's new portfolio managers, which described, among other things, the changes the portfolio managers had made to the fund's portfolio since December 1, 2005 to implement the revised investment process that the Board had requested.

The Board members also discussed the fund's expense ratio, noting that it was lower than the averages of Comparison Group I and Comparison Group II and higher than the average of Comparison Group III. The Board reviewed the range of management fees in each comparison group, noting that the fund's management fee was higher than most of the fees paid by the funds in Comparison Group I and was lower than several others in each of Comparison Group II and Comparison Group III.

Representatives of the Manager reviewed with the Board members the fees paid to the Manager or its affiliates by mutual funds managed by the Manager or its affiliates with similar investment objectives, policies and strategies, and in the same Lipper category, as the fund (the "Similar Funds"), noting that not all of the Similar Funds have a social screen when choosing securities for their portfolios. Representatives of the Manager also noted that there were no other accounts managed or sub-advised by the Manager or its affiliates with substantially similar investment objectives, policies and strategies as the fund. The Board analyzed the differences in fees paid to the Manager and discussed the relationship of the advisory fees paid in light of the Manager's performance and the services provided; it was noted that the Similar Funds had comparable or lower management fees than the fee borne by the fund. The Board members considered the relevance of the fee information provided for the Similar Funds managed by the Manager to evaluate the appropriateness and reasonableness of the fund's advisory fees.

Analysis of Profitability and Economies of Scale. The Manager's representatives reviewed the dollar amount of expenses allocated and profit received by the Manager and the method used to determine such expenses and profit. The Board considered information, previously provided and discussed, prepared by an independent consulting firm regarding the Manager's approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus mutual fund complex. The Board members also considered that the methodology had been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reasonable. The consulting firm also analyzed where any economies of scale might emerge in connection with the management of the fund. The Board members evaluated the analysis in light of the relevant circumstances for the fund, and the extent to which economies of scale would be realized as the fund grows and whether fee levels reflect these economies of scale for the benefit of fund investors. The Board noted that it appeared that the benefits of any economies of scale also would be appropriately shared with shareholders through increased investment in fund management and administration resources. The Board members also considered potential benefits to the Manager from acting as investment adviser to the fund, including soft dollar arrangements with respect to trading the fund's portfolio.

It was noted that the Board members should consider the Manager's profitability with respect to the fund as part of their evaluation of whether the fee under the Management Agreement bears a reasonable relationship to the mix of services provided by the Manager, including the nature, extent and quality of such services and that discussions of economies of scale historically have been predicated on increasing assets and that, if a fund's assets had been decreasing, the extent to which the

Manager may have realized any economies of scale would be less. The Board members also discussed the profitability percentage ranges determined by appropriate court cases to be reasonable given the services rendered to investment companies. It was noted that the profitability percentage for managing the fund was not unreasonable given the fund's overall performance and generally superior service levels provided.

At the conclusion of these discussions, each Board member expressed the opinion that he or she had been furnished with sufficient information to make an informed business decision with respect to continuation of the fund's Management Agreement. Based on their discussions and considerations as described above, the Board made the following conclusions and determinations with respect to the fund.

- The Board concluded that the nature, extent and quality of the services provided by the Manager to the fund are adequate and appropriate.
- While the Board was concerned with the fund's total return performance, the Board members noted that the fund's short-term performance is improving and that management had made efforts to improve the fund's performance by modifying the fund's investment processes and selecting new portfolio managers to manage the fund.
- The Board concluded that the fee paid to the Manager by the fund was reasonable in light of comparative performance and expense and advisory fee information, costs of the services provided and profits to be realized and benefits derived or to be derived by the Manager from its relationship with the fund.
- The Board determined that the economies of scale which may accrue to the Manager and its affiliates in connection with the management of the fund had been adequately considered by the Manager in connection with the management fee rate charged to the fund, and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with the information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the fund's Management Agreement was in the best interests of the fund and its shareholders and that it would be renewed through its annual renewal date of July 29, 2006.

For More Information

The Dreyfus Socially Responsible Growth Fund, Inc.
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the 12-month period ended June 30, 2006, is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

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SEMIANNUAL REPORT

DWS INVESTMENTS VIT FUNDS

DWS Equity 500 Index VIP

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus, call (800) 778-1482 or your financial representative. We advise you to consider the portfolio's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the portfolio. Please read the prospectus carefully before you invest.

The portfolio is subject to investment risks, including possible loss of principal amount invested. There is no guarantee that the portfolio will be able to mirror the S&P 500® Index closely enough to track its performance. Please read the prospectus for specific details regarding its investments and risk profile.

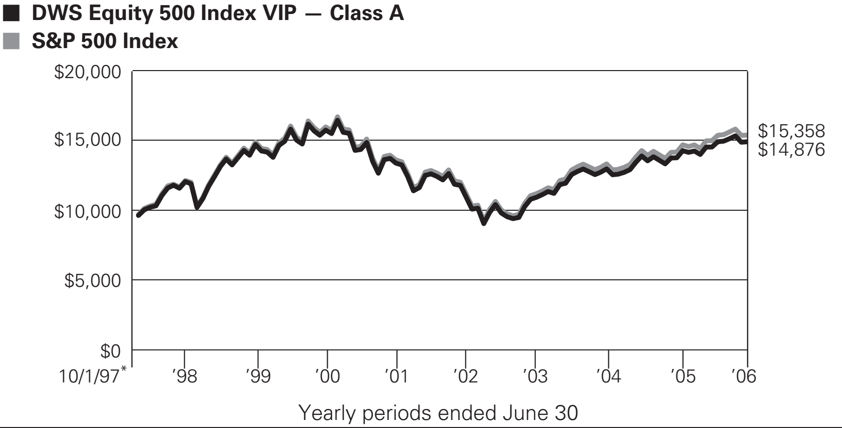
Performance Summary

June 30, 2006

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the Portfolio's most recent month-end performance call 1-800-621-1048. Performance figures for Classes A, B and B2 differ because each class maintains a distinct expense structure. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns for Classes A, B and B2 shares during the period reflect a fee waiver/and or reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment



The Standard & Poor's (S&P) 500 Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results (as of June 30, 2006)

DWS Equity 500 Index VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$10,256	$10,834	$13,642	$11,140	$14,876
	Average annual total return	2.56%	8.34%	10.91%	2.18%	4.65%
S&P 500 Index	Growth of $10,000	$10,271	$10,863	$13,757	$11,311	$15,358
	Average annual total return	2.71%	8.63%	11.22%	2.49%	5.03%

DWS Equity 500 Index VIP		6-Month‡	1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,246	$10,815	$13,549	$12,437
	Average annual total return	2.46%	8.15%	10.65%	5.37%
S&P 500 Index	Growth of $10,000	$10,271	$10,863	$13,757	$12,715
	Average annual total return	2.71%	8.63%	11.22%	5.93%

DWS Equity 500 Index VIP		6-Month‡	Life of Class***‡
Class B2	Growth of $10,000	$10,242	$10,361
	Average annual total return	2.42%	3.61%
S&P 500 Index	Growth of $10,000	$10,271	$10,485
	Average annual total return	2.71%	4.85%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on October 1, 1997. Index returns began on September 30, 1997.*

** *The Portfolio commenced offering Class B shares on April 30, 2002. Index returns began on April 30, 2002.*

*** *The Portfolio commenced offering Class B2 shares on September 16, 2005. Index returns began on September 30, 2005.*

‡ *Total returns shown for periods less than one year are not annualized.*

Information concerning portfolio holdings of the Portfolio as of a month end will be posted to www.dws-scudder.com on or after the last day of the following month.

Information About Your Portfolio's Expenses

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual portfolios. In the most recent period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 1/1/06	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,025.60	$1,024.60	$1,024.20
Expenses Paid per $1,000*	$ 1.36	$ 2.61	$ 3.16

Hypothetical 5% Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 1/1/06	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,023.46	$1,022.22	$1,021.67
Expenses Paid per $1,000*	$ 1.35	$ 2.61	$ 3.16

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B	Class B2
DWS Equity 500 Index VIP	.27%	.52%	.63%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Management Summary

June 30, 2006

The US economy continues to perform well, despite high energy costs and rising interest rates. Corporate profits have been growing, and business investment has been a key driver of economic growth. Consumer spending remains reasonably strong, although there are signs of moderation, especially in housing. Most indicators point to continued economic growth, albeit at a slower rate than in the early months of 2006.

The broad equity market, as measured by the Standard & Poor's 500 (S&P 500) Index, had a return of 2.71% for the six-month period ended June 30, 2006. Value stocks, measured by the Russell 1000 Value Index, performed much better than growth stocks, measured by the Russell 1000 Growth Index, which had a negative return for the six-month period. With a return of 2.56% (Class A shares, unadjusted for contract charges), the Portfolio's return was slightly below that of its benchmark, the S&P 500 Index, for the first half of the year. Since the Portfolio's investment strategy is to replicate, as closely as possible, before the deduction of expenses, the performance of the S&P 500 Index, the Portfolio's return is normally quite close to the return of the index.

For the six months ended June 30, 2006, eight of the 10 industry sectors within the S&P 500 had positive returns. The strongest sector was telecommunications, with a return of 13.81%, followed closely by energy, with a return of 13.71%. The two sectors with negative returns were information technology (5.90%) and health care (3.79%).

Chad M. Rakvin, CFA

Vice President

Northern Trust Investments, N.A. (NTI), Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the portfolio's most recent month-end performance call 1-800-621-1048. Performance figures for Classes A and B differ because each class maintains a distinct expense structure. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns for Class A, B and B2 shares during the period reflect a fee waiver and/or reimbursement; without this waiver/reimbursement, returns would have been lower.

Risk Considerations

The Portfolio is subject to investment risks, including possible loss of principal amount invested. The Portfolio may not be able to mirror the S&P 500 index closely enough to track its performance for several reasons, including the Portfolio's cost to buy and sell securities, the flow of money into and out of the Portfolio and the potential underperformance of stocks selected. Please read this Portfolio's prospectus for specific details regarding the Portfolio's investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. It is not possible to invest directly into an index.

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Russell 1000 Growth Index is an unmanaged index that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is an unmanaged index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions and should not be construed as a recommendation.

Portfolio Summary

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	97%	98%
Cash Equivalents	3%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Financials	22%	22%
Information Technology	15%	15%
Health Care	12%	13%
Industrials	12%	11%
Energy	10%	9%
Consumer Discretionary	10%	11%
Consumer Staples	10%	10%
Utilities	3%	3%
Telecommunication Services	3%	3%
Other	3%	3%
	100%	100%

Ten Largest Equity Holdings (18.9% of Net Assets)	
1. ExxonMobil Corp. Explorer and producer of oil and gas	**3.1%**
2. General Electric Co. Industrial conglomerate	**2.9%**
3. Citigroup, Inc. Provider of diversified financial services	**2.1%**
4. Bank of America Corp. Provider of commercial banking services	**1.9%**
5. Microsoft Corp. Developer of computer software	**1.7%**
6. Procter & Gamble Co. Manufacturer of diversified consumer products	**1.6%**
7. Johnson & Johnson Provider of health care products	**1.5%**
8. Pfizer, Inc. Manufacturer of prescription pharmaceuticals and nonprescription self medications	**1.5%**
9. Altria Group, Inc. Parent company operating in the tobacco and food industries	**1.3%**
10. American International Group, Inc. Provider of insurance services	**1.3%**

Asset allocation, sector diversification, and holdings are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 7. A quarterly fact sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

	Shares	Value ($)
Common Stocks 97.2%		
Consumer Discretionary 9.8%		
Auto Components 0.1%		
Cooper Tire & Rubber Co. (a)	6,549	72,956
Goodyear Tire & Rubber Co.* (a)	18,694	207,503
Johnson Controls, Inc.	20,446	1,681,070
		1,961,529
Automobiles 0.4%		
Ford Motor Co.	230,375	1,596,499
General Motors Corp. (a)	67,666	2,015,770
Harley-Davidson, Inc.	34,686	1,903,914
		5,516,183
Distributors 0.1%		
Genuine Parts Co.	17,909	**746,089**
Diversified Consumer Services 0.1%		
Apollo Group, Inc. "A"*	17,844	921,999
H&R Block, Inc.	34,696	827,847
		1,749,846
Hotels Restaurants & Leisure 1.5%		
Carnival Corp.	46,746	1,951,178
Darden Restaurants, Inc.	13,854	545,848
Harrah's Entertainment, Inc.	21,719	1,545,958
Hilton Hotels Corp.	34,732	982,221
International Game Technology	41,356	1,569,047
Marriott International, Inc. "A"	34,240	1,305,229
McDonald's Corp.	149,391	5,019,538
Starbucks Corp.*	92,328	3,486,305
Starwood Hotels & Resorts Worldwide, Inc.	27,825	1,678,960
Wendy's International, Inc.	12,111	705,950
YUM! Brands, Inc.	29,158	1,465,773
		20,256,007
Household Durables 0.6%		
Black & Decker Corp.	8,122	685,984
Centex Corp.	16,035	806,560
D.R. Horton, Inc.	28,600	681,252
Fortune Brands, Inc.	15,555	1,104,561
Harman International Industries, Inc.	6,900	589,053
KB Home	9,892	453,548
Leggett & Platt, Inc.	19,064	476,219
Lennar Corp. "A"	18,100	803,097
Newell Rubbermaid, Inc.	28,397	733,495
Pulte Homes, Inc.	22,882	658,773
Snap-on, Inc.	4,993	201,817
The Stanley Works	8,356	394,570
Whirlpool Corp.	10,088	833,773
		8,422,702
Internet & Catalog Retail 0.1%		
Amazon.com, Inc.*	32,528	**1,258,183**
Leisure Equipment & Products 0.2%		
Brunswick Corp.	10,006	332,700
Eastman Kodak Co. (a)	30,707	730,212
Hasbro, Inc.	17,986	325,726
Mattel, Inc.	40,998	676,877
		2,065,515
Media 3.3%		
CBS Corp. "B"	81,487	2,204,223
Clear Channel Communications, Inc.	54,552	1,688,384
Comcast Corp. "A"*	252,958	8,281,845
Dow Jones & Co., Inc.	6,261	219,198
E.W. Scripps Co. "A"	9,100	392,574
Gannett Co., Inc.	25,042	1,400,599
Interpublic Group of Companies, Inc.*	45,497	379,900
McGraw-Hill Companies, Inc.	42,664	2,143,026
Meredith Corp.	4,124	204,303
New York Times Co. "A" (a)	14,510	356,075
News Corp. "A"	283,554	5,438,566
Omnicom Group, Inc.	22,516	2,005,950
Time Warner, Inc.	495,330	8,569,209
Tribune Co.	27,783	901,003
Univision Communications, Inc. "A"*	23,793	797,066
Viacom, Inc. "B"*	81,487	2,920,494
Walt Disney Co.	261,280	7,838,400
		45,740,815
Multiline Retail 1.1%		
Big Lots, Inc.*	10,092	172,371
Dillard's, Inc. "A"	6,451	205,464
Dollar General Corp.	33,684	470,902
Family Dollar Stores, Inc.	16,370	399,919
Federated Department Stores, Inc.	58,708	2,148,713
J.C. Penney Co., Inc.	24,622	1,662,231
Kohl's Corp.*	37,778	2,233,436
Nordstrom, Inc.	28,748	1,049,302
Sears Holdings Corp.*	12,343	1,911,190
Target Corp.	102,310	4,999,890
		15,253,418
Specialty Retail 2.0%		
AutoNation, Inc.*	15,851	339,845
AutoZone, Inc.*	5,791	510,766
Bed Bath & Beyond, Inc.*	29,516	979,046
Best Buy Co., Inc.	49,536	2,716,554
Circuit City Stores, Inc.	16,230	441,781
Home Depot, Inc.	239,099	8,557,353
Limited Brands, Inc.	36,670	938,385
Lowe's Companies, Inc.	92,950	5,639,277
Office Depot, Inc.*	31,203	1,185,714
OfficeMax, Inc.	7,441	303,221
RadioShack Corp.	14,545	203,630
Staples, Inc.	78,389	1,906,420
The Gap, Inc.	67,932	1,182,017
The Sherwin-Williams Co.	11,689	554,994
Tiffany & Co.	14,900	491,998
TJX Companies, Inc.	48,958	1,119,180
		27,070,181
Textiles, Apparel & Luxury Goods 0.3%		
Coach, Inc.*	47,300	1,414,270
Jones Apparel Group, Inc.	11,994	381,289
Liz Claiborne, Inc.	10,724	397,432
NIKE, Inc. "B"	22,975	1,860,975
VF Corp.	9,287	630,773
		4,684,739

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Consumer Staples 9.4%		
Beverages 2.1%		
Anheuser-Busch Companies, Inc.	94,209	4,294,988
Brown-Forman Corp. "B"	8,780	627,331
Coca-Cola Co.	243,914	10,493,180
Coca-Cola Enterprises, Inc.	32,150	654,895
Constellation Brands, Inc. "A"*	20,600	515,000
Molson Coors Brewing Co. "B"	5,992	406,737
Pepsi Bottling Group, Inc.	15,111	485,819
PepsiCo, Inc.	195,746	11,752,590
		29,230,540
Food & Staples Retailing 2.3%		
Costco Wholesale Corp.	51,445	2,939,053
CVS Corp.	94,134	2,889,914
Kroger Co.	76,463	1,671,481
Safeway, Inc.	47,727	1,240,902
SUPERVALU, Inc.	21,448	658,458
Sysco Corp.	65,357	1,997,310
Wal-Mart Stores, Inc.	293,527	14,139,196
Walgreen Co.	121,696	5,456,849
Whole Foods Market, Inc.	15,400	995,456
		31,988,619
Food Products 1.1%		
Archer-Daniels-Midland Co.	78,207	3,228,385
Campbell Soup Co.	19,785	734,221
ConAgra Foods, Inc.	54,905	1,213,950
Dean Foods Co.*	14,400	535,536
General Mills, Inc.	37,528	1,938,696
H.J. Heinz Co.	42,379	1,746,862
Kellogg Co.	26,532	1,284,945
McCormick & Co., Inc.	13,114	439,975
Sara Lee Corp.	80,739	1,293,439
The Hershey Co.	18,946	1,043,356
Tyson Foods, Inc. "A"	26,500	393,790
William Wrigley Jr. Co.	23,433	1,062,921
		14,916,076
Household Products 2.2%		
Clorox Co.	16,030	977,349
Colgate-Palmolive Co.	63,621	3,810,898
Kimberly-Clark Corp.	53,947	3,328,530
Procter & Gamble Co.	385,055	21,409,058
		29,525,835
Personal Products 0.2%		
Alberto-Culver Co.	8,155	397,312
Avon Products, Inc.	47,570	1,474,670
Estee Lauder Companies, Inc. "A"	12,600	487,242
		2,359,224
Tobacco 1.5%		
Altria Group, Inc.	244,970	17,988,147
Reynolds American, Inc.	9,664	1,114,259
UST, Inc.	17,235	778,850
		19,881,256
Energy 9.9%		
Energy Equipment & Services 2.0%		
Baker Hughes, Inc.	40,071	3,279,811
BJ Services Co.	34,486	1,284,948
Halliburton Co.	61,991	4,600,352
Nabors Industries Ltd.*	33,296	1,125,072
National-Oilwell Varco, Inc.*	18,400	1,165,088
Noble Corp.	14,495	1,078,718
Rowan Companies, Inc.	11,582	412,204
Schlumberger Ltd.	140,018	9,116,572
Transocean, Inc.*	39,803	3,196,977
Weatherford International Ltd.*	40,244	1,996,907
		27,256,649
Oil, Gas & Consumable Fuels 7.9%		
Anadarko Petroleum Corp.	49,414	2,356,554
Apache Corp.	35,653	2,433,317
Chesapeake Energy Corp.	39,400	1,191,850
Chevron Corp.	261,782	16,246,191
ConocoPhillips	194,142	12,722,125
CONSOL Energy, Inc.	11,286	527,282
Devon Energy Corp.	54,292	3,279,780
El Paso Corp.	79,254	1,188,810
EOG Resources, Inc.	25,657	1,779,056
ExxonMobil Corp.	699,904	42,939,110
Hess Corp.	25,350	1,339,748
Kerr-McGee Corp.	29,108	2,018,640
Kinder Morgan, Inc.	14,422	1,440,614
Marathon Oil Corp.	40,771	3,396,224
Murphy Oil Corp.	19,100	1,066,926
Occidental Petroleum Corp.	51,944	5,326,857
Sunoco, Inc.	14,216	985,027
Valero Energy Corp.	73,772	4,907,314
Williams Companies, Inc.	66,687	1,557,808
XTO Energy, Inc.	38,408	1,700,322
		108,403,555
Financials 20.9%		
Capital Markets 3.4%		
Ameriprise Financial, Inc.	26,105	1,166,110
Bank of New York Co., Inc.	95,884	3,087,465
Bear Stearns Companies, Inc.	13,730	1,923,299
Charles Schwab Corp.	111,889	1,787,986
E*TRADE Financial Corp.*	49,100	1,120,462
Federated Investors, Inc. "B"	8,900	280,350
Franklin Resources, Inc.	16,052	1,393,474
Janus Capital Group, Inc.	22,371	400,441
Legg Mason, Inc.	15,300	1,522,656
Lehman Brothers Holdings, Inc.	65,142	4,244,001
Mellon Financial Corp.	43,775	1,507,173
Merrill Lynch & Co., Inc.	109,072	7,587,048
Morgan Stanley	127,640	8,068,125
Northern Trust Corp.	20,549	1,136,360
State Street Corp.	41,165	2,391,275
T. Rowe Price Group, Inc.	27,720	1,048,093
The Goldman Sachs Group, Inc.	51,533	7,752,109
		46,416,427
Commercial Banks 4.1%		
AmSouth Bancorp.	36,028	952,941
BB&T Corp.	56,434	2,347,090
Comerica, Inc.	17,137	890,953
Commerce Bancorp, Inc. (a)	21,700	774,039
Compass Bancshares, Inc.	12,200	678,320
Fifth Third Bancorp.	58,606	2,165,492
First Horizon National Corp.	13,298	534,580
Huntington Bancshares, Inc.	29,960	706,457
KeyCorp.	42,829	1,528,139
M&T Bank Corp.	8,450	996,424
Marshall & Ilsley Corp.	21,254	972,158
National City Corp.	69,976	2,532,431

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
North Fork Bancorp., Inc.	50,146	1,512,905
PNC Financial Services Group, Inc.	30,826	2,163,060
Regions Financial Corp.	48,433	1,604,101
SunTrust Banks, Inc.	46,271	3,528,626
Synovus Financial Corp.	31,803	851,684
US Bancorp.	215,954	6,668,659
Wachovia Corp.	192,197	10,394,014
Wells Fargo & Co.	197,424	13,243,202
Zions Bancorp.	12,811	998,489
		56,043,764
Consumer Finance 1.0%		
American Express Co.	147,625	7,856,602
Capital One Financial Corp.	36,437	3,113,542
SLM Corp.	45,078	2,385,528
		13,355,672
Diversified Financial Services 5.4%		
Bank of America Corp.	527,886	25,391,317
CIT Group, Inc.	21,824	1,141,177
Citigroup, Inc.	582,631	28,106,119
JPMorgan Chase & Co.	409,162	17,184,804
Moody's Corp.	30,352	1,652,970
		73,476,387
Insurance 4.5%		
ACE Ltd.	35,176	1,779,554
AFLAC, Inc.	52,537	2,435,090
Allstate Corp.	79,056	4,326,735
Ambac Financial Group, Inc.	11,078	898,426
American International Group, Inc.	304,381	17,973,698
Aon Corp.	33,883	1,179,806
Chubb Corp.	49,170	2,453,583
Cincinnati Financial Corp.	17,609	827,799
Genworth Financial, Inc. "A"	39,900	1,390,116
Hartford Financial Services Group, Inc.	37,434	3,166,916
Lincoln National Corp.	31,269	1,764,822
Loews Corp.	42,970	1,523,287
Marsh & McLennan Companies, Inc.	57,413	1,543,836
MBIA, Inc.	14,164	829,302
MetLife, Inc.	92,432	4,733,443
Principal Financial Group, Inc.	29,611	1,647,852
Progressive Corp.	84,956	2,184,219
Prudential Financial, Inc.	60,363	4,690,205
Safeco Corp.	13,118	739,199
The St. Paul Travelers Companies, Inc.	85,771	3,823,671
Torchmark Corp.	10,310	626,023
UnumProvident Corp.	31,565	572,274
XL Capital Ltd. "A"	18,577	1,138,770
		62,248,626
Real Estate Investment Trusts 0.9%		
Apartment Investment & Management Co. "A" (REIT)	9,600	417,120
Archstone-Smith Trust (REIT)	21,800	1,108,966
Boston Properties, Inc. (REIT)	9,600	867,840
Equity Office Properties Trust (REIT)	53,120	1,939,411
Equity Residential (REIT)	30,630	1,370,080
Kimco Realty Corp. (REIT)	21,400	780,886
Plum Creek Timber Co., Inc. (REIT)	18,700	663,850
ProLogis (REIT)	25,700	1,339,484
Public Storage, Inc. (REIT)	8,800	667,920
Simon Property Group, Inc. (REIT)	24,641	2,043,724
Vornado Realty Trust (REIT)	16,300	1,590,065
		12,789,346
Thrifts & Mortgage Finance 1.6%		
Countrywide Financial Corp.	73,438	2,796,519
Fannie Mae	109,550	5,269,355
Freddie Mac	76,963	4,387,661
Golden West Financial Corp.	32,587	2,417,955
MGIC Investment Corp.	9,242	600,730
Sovereign Bancorp, Inc.	39,499	802,223
Washington Mutual, Inc. (a)	111,143	5,065,898
		21,340,341

Health Care 11.9%

	Shares	Value ($)
Biotechnology 1.2%		
Amgen, Inc.*	137,816	8,989,738
Biogen Idec, Inc.*	36,260	1,679,926
Genzyme Corp.*	29,603	1,807,263
Gilead Sciences, Inc.*	55,886	3,306,216
MedImmune, Inc.*	26,375	714,762
		16,497,905
Health Care Equipment & Supplies 1.5%		
Bausch & Lomb, Inc. (a)	7,436	364,661
Baxter International, Inc.	74,603	2,742,406
Becton, Dickinson & Co.	26,278	1,606,374
Biomet, Inc.	26,143	818,014
Boston Scientific Corp.*	145,365	2,447,947
C.R. Bard, Inc.	10,998	805,714
Hospira, Inc.*	16,720	717,957
Medtronic, Inc.	143,325	6,724,809
St. Jude Medical, Inc.*	38,688	1,254,265
Stryker Corp.	31,082	1,308,863
Zimmer Holdings, Inc.*	26,184	1,485,157
		20,276,167
Health Care Providers & Services 2.6%		
Aetna, Inc.	68,472	2,734,087
AmerisourceBergen Corp.	21,782	913,101
Cardinal Health, Inc.	46,700	3,004,211
Caremark Rx, Inc.*	54,777	2,731,729
CIGNA Corp.	14,835	1,461,396
Coventry Health Care, Inc.*	16,995	933,705
Express Scripts, Inc.*	18,834	1,351,151
HCA, Inc.	48,300	2,084,145
Health Management Associates, Inc. "A"	25,402	500,673
Humana, Inc.*	17,375	933,038
Laboratory Corp. of America Holdings*	13,291	827,099
Manor Care, Inc.	8,338	391,219
McKesson Corp.	32,315	1,527,853
Medco Health Solutions, Inc.*	35,964	2,060,018
Patterson Companies, Inc.*	14,700	513,471
Quest Diagnostics, Inc.	17,216	1,031,583
Tenet Healthcare Corp.*	48,500	338,530
UnitedHealth Group, Inc.	159,508	7,142,768
WellPoint, Inc.*	73,788	5,369,553
		35,849,330
Health Care Technology 0.0%		
IMS Health, Inc.	21,030	**564,655**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Life Sciences Tools & Services 0.3%		
Applera Corp. — Applied Biosystems Group	19,929	644,703
Fisher Scientific International, Inc.*	15,208	1,110,945
Millipore Corp.*	5,115	322,194
PerkinElmer, Inc.	12,836	268,272
Thermo Electron Corp.*	16,605	601,765
Waters Corp.*	11,100	492,840
		3,440,719
Pharmaceuticals 6.3%		
Abbott Laboratories	182,082	7,940,596
Allergan, Inc.	16,362	1,754,988
Barr Pharmaceuticals, Inc.*	11,200	534,128
Bristol-Myers Squibb Co.	221,062	5,716,663
Eli Lilly & Co.	133,537	7,380,590
Forest Laboratories, Inc.*	34,695	1,342,350
Johnson & Johnson	348,434	20,878,165
King Pharmaceuticals, Inc.*	26,086	443,462
Merck & Co., Inc.	258,159	9,404,732
Mylan Laboratories, Inc.	23,236	464,720
Pfizer, Inc.	857,889	20,134,655
Schering-Plough Corp.	164,150	3,123,775
Watson Pharmaceuticals, Inc.*	10,755	250,377
Wyeth	158,776	7,051,242
		86,420,443
Industrials 11.4%		
Aerospace & Defense 2.4%		
Boeing Co.	94,908	7,773,914
General Dynamics Corp.	47,334	3,098,483
Goodrich Corp.	13,061	526,228
Honeywell International, Inc.	101,047	4,072,194
L-3 Communications Holdings, Inc.	15,600	1,176,552
Lockheed Martin Corp.	44,793	3,213,450
Northrop Grumman Corp.	36,931	2,365,800
Raytheon Co.	47,496	2,116,897
Rockwell Collins, Inc.	18,331	1,024,153
United Technologies Corp.	120,900	7,667,478
		33,035,149
Air Freight & Logistics 1.1%		
FedEx Corp.	33,565	3,922,406
United Parcel Service, Inc. "B"	128,958	10,617,112
		14,539,518
Airlines 0.1%		
Southwest Airlines Co.	82,195	**1,345,532**
Building Products 0.2%		
American Standard Companies, Inc.	18,964	820,572
Masco Corp.	43,865	1,300,159
		2,120,731
Commercial Services & Supplies 0.7%		
Allied Waste Industries, Inc.*	25,475	289,396
Avery Dennison Corp.	11,186	649,459
Cendant Corp.	124,185	2,022,974
Cintas Corp.	16,642	661,686
Equifax, Inc.	13,291	456,413
Monster Worldwide, Inc.*	18,285	780,038
Pitney Bowes, Inc.	23,746	980,710
R.R. Donnelley & Sons Co.	22,129	707,021
Robert Half International, Inc.	17,700	743,400
Waste Management, Inc.	64,569	2,316,736
		9,607,833
Construction & Engineering 0.1%		
Fluor Corp.	11,525	**1,071,018**
Electrical Equipment 0.5%		
American Power Conversion Corp.	18,114	353,042
Cooper Industries Ltd. "A"	9,464	879,395
Emerson Electric Co.	50,652	4,245,144
Rockwell Automation, Inc.	18,747	1,349,972
		6,827,553
Industrial Conglomerates 4.0%		
3M Co.	90,336	7,296,439
General Electric Co.	1,213,632	40,001,311
Textron, Inc.	17,141	1,580,057
Tyco International Ltd.	238,553	6,560,207
		55,438,014
Machinery 1.5%		
Caterpillar, Inc.	79,836	5,946,185
Cummins, Inc.	6,278	767,486
Danaher Corp.	25,065	1,612,181
Deere & Co.	27,212	2,271,930
Dover Corp.	21,702	1,072,730
Eaton Corp.	15,305	1,153,997
Illinois Tool Works, Inc.	48,594	2,308,215
Ingersoll-Rand Co., Ltd. "A"	34,522	1,476,851
ITT Industries, Inc.	19,494	964,953
Navistar International Corp.*	6,571	161,712
PACCAR, Inc.	19,934	1,642,163
Pall Corp.	12,353	345,884
Parker Hannifin Corp.	12,679	983,890
		20,708,177
Road & Rail 0.8%		
Burlington Northern Santa Fe Corp.	45,538	3,608,886
CSX Corp.	23,074	1,625,333
Norfolk Southern Corp.	44,386	2,362,223
Ryder System, Inc.	5,952	347,775
Union Pacific Corp.	32,281	3,000,842
		10,945,059
Trading Companies & Distributors 0.0%		
W.W. Grainger, Inc.	8,509	**640,132**
Information Technology 14.5%		
Communications Equipment 2.7%		
ADC Telecommunications, Inc.*	12,330	207,884
Andrew Corp.*	20,880	184,997
Avaya, Inc.*	44,092	503,531
Ciena Corp.*	61,460	295,622
Cisco Systems, Inc.*	718,495	14,032,207
Comverse Technologies, Inc.*	21,306	421,220
Corning, Inc.*	183,222	4,432,140
JDS Uniphase Corp.*	199,831	505,572
Juniper Networks, Inc.*	59,600	953,004
Lucent Technologies, Inc.*	487,185	1,178,988
Motorola, Inc.	294,680	5,937,802
QUALCOMM, Inc.	194,720	7,802,430
Tellabs, Inc.*	47,516	632,438
		37,087,835
Computers & Peripherals 3.3%		
Apple Computer, Inc.*	99,962	5,709,830
Dell, Inc.*	262,809	6,415,168
EMC Corp.*	265,567	2,913,270

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Gateway, Inc.*	28,177	53,536
Hewlett-Packard Co.	322,727	10,223,991
International Business Machines Corp.	184,202	14,150,398
Lexmark International, Inc. "A"*	11,568	645,841
NCR Corp.*	19,451	712,685
Network Appliance, Inc.*	40,784	1,439,675
QLogic Corp.*	17,018	293,390
SanDisk Corp.*	25,400	1,294,892
Sun Microsystems, Inc.*	375,581	1,558,661
		45,411,337
Electronic Equipment & Instruments 0.3%		
Agilent Technologies, Inc.*	48,997	1,546,345
Jabil Circuit, Inc.	18,147	464,563
Molex, Inc.	15,217	510,835
Sanmina-SCI Corp.*	60,617	278,838
Solectron Corp.*	96,707	330,738
Symbol Technologies, Inc.	26,250	283,238
Tektronix, Inc.	7,924	233,124
		3,647,681
Internet Software & Services 1.4%		
eBay, Inc.*	136,968	4,011,793
Google, Inc. "A"*	23,841	9,997,246
VeriSign, Inc.*	27,700	641,809
Yahoo!, Inc.*	149,688	4,939,704
		19,590,552
IT Services 1.0%		
Affiliated Computer Services, Inc. "A"*	13,473	695,342
Automatic Data Processing, Inc.	71,708	3,251,958
Computer Sciences Corp.*	19,644	951,555
Convergys Corp.*	13,472	262,704
Electronic Data Systems Corp.	54,191	1,303,835
First Data Corp.	93,012	4,189,261
Fiserv, Inc.*	21,542	977,145
Paychex, Inc.	35,211	1,372,525
Sabre Holdings Corp.	12,752	280,544
Unisys Corp.*	34,080	214,022
		13,498,891
Office Electronics 0.1%		
Xerox Corp.*	103,888	**1,445,082**
Semiconductors & Semiconductor Equipment 2.7%		
Advanced Micro Devices, Inc.*	59,760	1,459,339
Altera Corp.*	37,886	664,899
Analog Devices, Inc.	38,635	1,241,729
Applied Materials, Inc.	192,630	3,136,016
Broadcom Corp. "A"*	54,421	1,635,351
Freescale Semiconductor, Inc. "B"*	43,287	1,272,638
Intel Corp.	689,045	13,057,403
KLA-Tencor Corp.	25,845	1,074,377
Linear Technology Corp.	32,214	1,078,847
LSI Logic Corp.*	39,813	356,326
Maxim Integrated Products, Inc.	39,601	1,271,588
Micron Technology, Inc.* (a)	77,320	1,164,439
National Semiconductor Corp.	35,926	856,835
Novellus Systems, Inc.*	14,014	346,146
NVIDIA Corp.*	41,914	892,349
PMC-Sierra, Inc.*	23,410	220,054
Teradyne, Inc.*	20,904	291,193
Texas Instruments, Inc.	189,879	5,751,435
Xilinx, Inc.	36,346	823,237
		36,594,201
Software 3.0%		
Adobe Systems, Inc.*	69,110	2,098,180
Autodesk, Inc.*	24,348	839,032
BMC Software, Inc.*	22,706	542,674
CA, Inc.	48,259	991,723
Citrix Systems, Inc.*	19,998	802,720
Compuware Corp.*	40,346	270,318
Electronic Arts, Inc.*	36,558	1,573,456
Intuit, Inc.*	18,685	1,128,387
Microsoft Corp.	1,014,901	23,647,193
Novell, Inc.*	41,036	272,069
Oracle Corp.*	450,478	6,527,426
Parametric Technology Corp.*	10,716	136,200
Symantec Corp.*	127,352	1,979,050
		40,808,428
Materials 2.9%		
Chemicals 1.5%		
Air Products & Chemicals, Inc.	23,539	1,504,613
Ashland, Inc.	7,708	514,124
Dow Chemical Co.	116,461	4,545,473
E.I. du Pont de Nemours & Co.	112,012	4,659,699
Eastman Chemical Co.	8,730	471,420
Ecolab, Inc.	19,566	793,988
Hercules, Inc.*	9,507	145,077
International Flavors & Fragrances, Inc.	8,143	286,959
Monsanto Co.	33,258	2,799,991
PPG Industries, Inc.	17,450	1,151,700
Praxair, Inc.	36,185	1,953,990
Rohm & Haas Co.	15,194	761,523
Sigma-Aldrich Corp.	7,120	517,197
		20,105,754
Construction Materials 0.1%		
Vulcan Materials Co.	10,525	**820,950**
Containers & Packaging 0.1%		
Ball Corp.	10,936	405,070
Bemis Co., Inc.	9,772	299,219
Pactiv Corp.*	14,819	366,770
Sealed Air Corp.	8,448	439,972
Temple-Inland, Inc.	11,736	503,122
		2,014,153
Metals & Mining 0.9%		
Alcoa, Inc.	96,681	3,128,597
Allegheny Technologies, Inc.	11,017	762,817
Freeport-McMoRan Copper & Gold, Inc. "B"	19,396	1,074,732
Newmont Mining Corp.	52,332	2,769,933
Nucor Corp.	36,530	1,981,753
Phelps Dodge Corp.	24,640	2,024,422
United States Steel Corp.	13,659	957,769
		12,700,023
Paper & Forest Products 0.3%		
International Paper Co.	54,918	1,773,851
Louisiana-Pacific Corp.	11,173	244,689
MeadWestvaco Corp.	19,559	546,283
Weyerhaeuser Co.	31,445	1,957,451
		4,522,274

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Telecommunication Services 3.2%		
Diversified Telecommunication Services 2.5%		
AT&T, Inc.	457,147	12,749,830
BellSouth Corp.	205,741	7,447,824
CenturyTel, Inc.	12,119	450,221
Citizens Communications Co.	34,490	450,094
Embarq Corp.*	15,698	643,461
Qwest Communications International, Inc.*	169,740	1,373,197
Verizon Communications, Inc.	345,229	11,561,719
		34,676,346
Wireless Telecommunication Services 0.7%		
ALLTEL Corp.	40,908	2,611,158
Sprint Nextel Corp.	348,268	6,961,877
		9,573,035
Utilities 3.3%		
Electric Utilities 1.4%		
Allegheny Energy, Inc.*	17,010	630,561
American Electric Power Co., Inc.	51,416	1,760,998
Edison International	34,467	1,344,213
Entergy Corp.	21,856	1,546,312
Exelon Corp.	81,442	4,628,349
FirstEnergy Corp.	35,254	1,911,119
FPL Group, Inc.	52,184	2,159,374
Pinnacle West Capital Corp.	9,508	379,464
PPL Corp.	39,928	1,289,675
Progress Energy, Inc.	26,631	1,141,671
Southern Co.	85,704	2,746,813
		19,538,549
Gas Utilities 0.0%		
Nicor, Inc.	5,184	215,136
Peoples Energy Corp.	2,489	89,380
		304,516
Independent Power Producers & Energy Traders 0.5%		
AES Corp.*	69,848	1,288,696
Constellation Energy Group	18,810	1,025,521
Dynegy, Inc. "A"*	31,872	174,340
TXU Corp.	56,112	3,354,936
		5,843,493
Multi-Utilities 1.4%		
Ameren Corp.	21,169	1,069,034
CenterPoint Energy, Inc.	31,321	391,512
CMS Energy Corp.*	24,072	311,492
Consolidated Edison, Inc.	27,922	1,240,854
Dominion Resources, Inc.	43,717	3,269,594
DTE Energy Co.	18,157	739,716
Duke Energy Corp.	149,183	4,381,505
KeySpan Corp.	19,214	776,246
NiSource, Inc.	27,508	600,775
PG&E Corp.	45,349	1,781,309
Public Service Enterprise Group, Inc.	33,175	2,193,531
Sempra Energy	27,287	1,241,013
TECO Energy, Inc.	20,700	309,258
Xcel Energy, Inc.	41,557	797,063
		19,102,902
Total Common Stocks (Cost $1,177,003,404)		**1,330,571,461**

	Principal Amount ($)	Value ($)
US Treasury Obligation 0.1%		
US Treasury Bill, 4.88%**, 9/21/2006 (b) (Cost $2,027,936)	2,050,000	**2,028,208**

	Shares	Value ($)
Securities Lending Collateral 0.6%		
Daily Assets Fund Institutional, 5.1% (c) (d) (Cost $8,115,220)	8,115,220	**8,115,220**
Cash Equivalents 2.6%		
Cash Management QP Trust, 5.07% (e) (Cost $35,730,476)	35,730,476	**35,730,476**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $1,222,877,036)†	100.5	**1,376,445,365**
Other Assets and Liabilities, Net	(0.5)	**(6,834,525)**
Net Assets	100.0	**1,369,610,840**

* *Non-income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $1,246,708,658. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $129,736,707. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $219,496,478 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $89,759,771.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $7,938,518 which is 0.60% of net assets.*

(b) *At June 30, 2006, this security, in part or in whole, has been segregated to cover initial margin requirements for open futures contracts.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas, Inc. The rate shown is the annualized seven-day yield at period end.*

REIT: Real Estate Investment Trust

At June 30, 2006, open future contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
S&P 500 Index	9/14/2006	124	38,950,910	39,661,400	**710,490**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $1,179,031,340) — including $7,938,518 of securities loaned	$ 1,332,599,669
Investment in Daily Assets Fund Institutional (cost $8,115,220)*	8,115,220
Investment in Cash Management QP Trust (cost $35,730,476)	35,730,476
Total investments in securities, at value (cost $1,222,877,036)	1,376,445,365
Receivable for investments sold	911,671
Dividends receivable	1,480,038
Interest receivable	111,835
Receivable for Portfolio shares sold	853,409
Other assets	60,212
Total assets	1,379,862,530

Liabilities	
Due to custodian	320,542
Payable upon return of securities loaned	8,115,220
Payable for Portfolio shares redeemed	1,093,584
Payable for investments purchased	43,629
Payable for daily variation margin on open futures contracts	99,259
Accrued advisory fee	134,640
Other accrued expenses and payables	444,816
Total liabilities	10,251,690
Net assets, at value	**$ 1,369,610,840**

Net Assets	
Net assets consist of:	
Undistributed net investment income	10,287,959
Net unrealized appreciation (depreciation) on:	
Investments	153,568,329
Futures	710,490
Accumulated net realized gain (loss)	(92,400,196)
Paid-in capital	1,297,444,258
Net assets, at value	**$ 1,369,610,840**
Class A	
Net Asset Value, offering and redemption price per share ($1,240,525,811 ÷ 93,334,446 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 13.29**
Class B	
Net Asset Value, offering and redemption price per share ($69,357,363 ÷ 5,215,381 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 13.30**
Class B2	
Net Asset Value, offering and redemption price per share ($59,727,666 ÷ 4,490,681 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 13.30**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income	
Income:	
Dividends	$ 11,849,754
Interest	29,789
Interest — Cash Management QP Trust	332,439
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	29,279
Total Income	12,241,261
Expenses:	
Advisory fee	1,225,374
Administrative service fee	156,996
Administration fees	106,053
Custodian fee	20,689
Distribution service fees (Class B and B2)	157,080
Record keeping fee (Class B2)	39,013
Services to shareholders	55,828
Auditing	27,044
Legal	63,551
Trustees' fees and expenses	20,480
Reports to shareholders	29,760
Other	48,644
Total expenses before expense reductions	1,950,512
Expense reductions	(72,273)
Total expenses after expense reductions	1,878,239
Net investment income (loss)	**10,363,022**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	426,015
Futures	(838,544)
	(412,529)
Net unrealized appreciation (depreciation) during the period on:	
Investments	20,760,428
Futures	921,961
	21,682,389
Net gain (loss) on investment transactions	**21,269,860**
Net increase (decrease) in net assets resulting from operations	**$ 31,632,882**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 10,363,022	$ 15,253,658
Net realized gain (loss) on investment transactions	(412,529)	(14,168,370)
Net unrealized appreciation (depreciation) during the period on investment transactions	21,682,389	41,844,749
Net increase (decrease) in net assets resulting from operations	31,632,882	42,930,037
Distributions to shareholders from:		
Net investment income:		
Class A	(13,781,595)	(12,006,950)
Class B	(640,558)	(714,321)
Class B2	(485,019)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	267,823,952	176,934,741
Proceeds from tax-free reorganization	—	311,282,616
Reinvestment of distributions	13,781,595	12,006,950
Cost of shares redeemed	(157,688,115)	(216,433,043)
Net increase (decrease) in net assets from Class A share transactions	123,917,432	283,791,264
Class B		
Proceeds from shares sold	10,951,868	29,079,301
Reinvestment of distributions	640,558	714,321
Cost of shares redeemed	(10,721,904)	(17,678,251)
Net increase (decrease) in net assets from Class B share transactions	870,522	12,115,371
Class B2		
Proceeds from shares sold	8,385,524	71,422,580
Proceeds from tax-free reorganization	—	69,769,766
Reinvestment of distributions	485,019	—
Cost of shares redeemed	(9,127,448)	(82,593,913)
Net increase (decrease) in net assets from Class B2 share transactions	(256,905)	58,598,433
Increase (decrease) in net assets	141,256,759	384,713,834
Net assets at beginning of period	1,228,354,081	843,640,247
Net assets at end of period (including undistributed net investment income of $10,287,959 and $14,832,109, respectively)	**$ 1,369,610,840**	**$ 1,228,354,081**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets (continued)

Other Information	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Class A		
Shares outstanding at beginning of period	84,067,247	62,064,495
Shares sold	20,053,321	14,056,786
Share issued in tax-free reorganization	—	24,054,780
Shares issued to shareholders in reinvestment of distributions	1,008,902	1,010,686
Shares redeemed	(11,795,024)	(17,119,500)
Net increase (decrease) in Class A shares	9,267,199	22,002,752
Shares outstanding at end of period	**93,334,446**	**84,067,247**
Class B		
Shares outstanding at beginning of period	5,155,670	4,191,602
Shares sold	811,225	2,301,387
Shares issued to shareholders in reinvestment of distributions	46,859	60,077
Shares redeemed	(798,373)	(1,397,396)
Net increase (decrease) in Class B shares	59,711	964,068
Shares outstanding at end of period	**5,215,381**	**5,155,670**
Class B2		
Shares outstanding at beginning of period	4,506,034	—
Shares sold	630,754	5,522,164
Share issued in tax-free reorganization	—	5,392,081
Shares issued to shareholders in reinvestment of distributions	35,455	—
Shares redeemed	(681,562)	(6,408,211)
Net increase (decrease) in Class B2 shares	(15,353)	4,506,034
Shares outstanding at end of period	**4,490,681**	**4,506,034**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$13.11**	**$12.73**	**$11.64**	**$ 9.20**	**$11.98**	**$13.77**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.11	.21	.21	.15	.14	.09
Net realized and unrealized gain (loss) on investment transactions	.23	.37	1.01	2.41	(2.81)	(1.77)
Total from investment operations	.34	.58	1.22	2.56	(2.67)	(1.68)
Less distributions from:						
Net investment income	(.16)	(.20)	(.13)	(.12)	(.11)	(.10)
Net realized gain on investment transactions	—	—	—	—	—	(.01)
Total distributions	(.16)	(.20)	(.13)	(.12)	(.11)	(.11)
Net asset value, end of period	**$13.29**	**$13.11**	**$12.73**	**$11.64**	**$ 9.20**	**$11.98**
Total Return (%)	2.56[c]**	4.68	10.59[c]	28.16[c]	(22.31)[c]	(12.18)[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	1,241	1,102	790	627	395	466
Ratio of expenses before expense reductions and/or recoupments (%)	.28*	.27	.28	.30	.32	.31
Ratio of expenses after expense reductions and/or recoupments (%)	.27*	.27	.29	.30	.30	.30
Ratio of net investment income (loss) (%)	1.68*	1.62	1.76	1.50	1.33	1.06
Portfolio turnover rate (%)	14*	15	1	1	10	2[d]

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Portfolio turnover excludes the impact of redemption in kind.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$13.10**	**$12.72**	**$11.63**	**$ 9.20**	**$11.27**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.10	.17	.20	.14	.09
Net realized and unrealized gain (loss) on investment transactions	.23	.38	.99	2.40	(2.07)
Total from investment operations	.33	.55	1.19	2.54	(1.98)
Less distributions from:					
Net investment income	(.13)	(.17)	(.10)	(.11)	(.09)
Net asset value, end of period	**$13.30**	**$13.10**	**$12.72**	**$11.63**	**$ 9.20**
Total Return (%)	2.46[d]**	4.42	10.32[d]	27.83	(17.56)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	69	68	53	17	3
Ratio of expenses before expense reductions and/or recoupments (%)	.53*	.52	.53	.55	.55*
Ratio of expenses after expense reductions and/or recoupments (%)	.52*	.52	.54	.55	.55*
Ratio of net investment income (loss) (%)	1.43*	1.37	1.71	1.29	1.45*
Portfolio turnover rate (%)	14*	15	1	1	10

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period April 30, 2002 (commencement of operations) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B2

	2006[a]	2005[b]
Selected Per Share Data		
Net asset value, beginning of period	**$13.09**	**$12.94**
Income (loss) from investment operations:		
Net investment income (loss)[c]	.09	.05
Net realized and unrealized gain (loss) on investment transactions	.23	.10
Total from investment operations	.32	.15
Less distributions from:		
Net investment income	(.11)	—
Net asset value, end of period	**$13.30**	**$13.09**
Total Return (%)[d]	2.42**	1.16**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period ($ millions)	60	59
Ratio of expenses before expense reductions (%)	.66*	.66*
Ratio of expenses after expense reductions (%)	.63*	.63*
Ratio of net investment income (loss) (%)	1.31*	1.34*
Portfolio turnover rate (%)	14*	15

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period September 16, 2005 (commencement of operations) to December 31, 2005.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Notes to Financial Statements (Unaudited)

A. Significant Accounting Policies

DWS Investments VIT Funds (the "Trust") is registered under the Investment Company Act of 1940 as amended, (the "1940 Act"), as a diversified, open-end management investment company. The Trust is organized as a Massachusetts business trust. The Trust is comprised of several portfolios. DWS Equity 500 Index VIP (the "Portfolio") is one of the series the Trust offers to investors. The Portfolio is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Portfolio offers three classes of shares to investors: Class A Shares, Class B Shares and Class B2 shares. Class B and Class B2 Shares are subject to Rule 12b-1 distribution fees under the 1940 Act equal to an annual rate up to 0.25% of average daily net assets. In addition, Class B2 shares are subject to record keeping fees equal to an annual rate of up to 0.15% of average daily net assets. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain Portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares, except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fee). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Portfolio's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Portfolio in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio may enter into futures contracts as a hedge against anticipated interest rate changes and for duration management, risk management and return enhancement purposes.

Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio depending upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. When entering into a closing transaction, the Portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the Portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Federal Income Taxes. The Portfolio's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies, and to distribute all of its taxable and tax-exempt income to its shareholders. Accordingly, the Portfolio paid no federal income taxes and no federal income tax provision was required.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for the Portfolio a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether the Portfolio is taxable in certain jurisdictions), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006. Management will begin to evaluate the application of the Interpretation to the Portfolio and is not in a position at this time to estimate the significance of its impact, if any, on the Portfolio's financial statements.

At December 31, 2005, the Portfolio had a net tax basis capital loss carryforward of approximately $66,871,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2008 ($3,215,000), December 31, 2009 ($9,116,000), December 31, 2010 ($17,081,000), December 31, 2011 ($4,052,000), and December 31, 2012 ($33,407,000), the respective, the expiration dates, whichever occurs first, which may be subject to certain limitations under sections 382–384 of the Internal Revenue Code. In addition, from November 1, 2005 through December 31, 2005, the Portfolio incurred approximately $1,511,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year end December 31, 2006.

The DWS Equity 500 Index VIP inherited approximately $53,808,000 of its capital loss carryforward from its merger with the SVS II Index 500 Portfolio (Note H), which may be applied against any net realized taxable gains. During the year ended December 31, 2005 the Portfolio utilized approximately $500,000 of the inherited amount. At December 31, 2005 the Portfolio had a remaining net tax basis capital loss carryforward of $53,308,000 inherited from the merger which may be applied against any net realized taxable gains of each succeeding year until fully utilized or until December 31, 2008 ($3,215,000), December 31, 2009 ($9,116,000), December 31, 2010 ($3,518,000), December 31, 2011 ($4,052,000), and December 31, 2012 ($33,407,000), the respective expiration dates, whichever occurs first.

Distribution of Income and Gains. Net investment income of the Portfolio, if any, is declared and distributed to shareholders annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in futures contracts and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Securities Lending. The Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Contingencies. In the normal course of business, the Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet been made. However, based on experience, the Portfolio expects the risk of loss to be remote.

Expenses. Expenses of the Trust arising in connection with a specific portfolio are allocated to that portfolio. Other Trust expenses which cannot be directly attributed to a portfolio are apportioned among the portfolios in the Trust.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset valuation calculations. However, for financial reporting purposes, investment security transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis.

B. Purchases and Sales of Securities

During the six months ended June 30, 2006, purchases and sales of investment securities (excluding short-term investments) aggregated $196,110,076 and $90,758,288, respectively.

C. Related Parties

Investment Advisory Agreement. Deutsche Asset Management, Inc. ("DeAM" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, is the Portfolio's Advisor. Under the investment advisory agreement, the Portfolio pays the Advisor an annual fee equal to an annual rate of 0.200% of the first $1,000,000,000 of the Portfolio's average daily net assets, 0.175% of the next $1,000,000,000 of the Portfolio's average daily net assets and 0.150% of such net assets in excess of $2,000,000,000, which is calculated daily and paid monthly.

Northern Trust Investments, N.A. ("NTI") acts as investment sub-advisor for the Portfolio. As the Portfolio's investment sub-advisor, NTI makes the Portfolio's investment decisions. It buys and sells securities for the Portfolio and conducts the research that leads to these purchase and sale decisions. DeAM, Inc. pays a fee to NTI for acting as investment sub-advisor to the Portfolio.

For the period from January 1, 2006 through May 31, 2006, the Advisor contractually agreed to waive all or a portion of its management fee and reimburse or pay certain operating expenses of the Portfolio to the extent necessary to maintain the operating expenses of each class at 0.28%, 0.53%, and 0.63% of average daily net assets for Class A, B and B2 shares, respectively (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest, and organization and offering expenses).

Effective June 1, 2006 through April 31, 2009, the Advisor has contractually agreed to waive all or a portion of its management fee and reimburse or pay certain operating expenses of the Portfolio to the extent necessary to maintain the operating expenses of each class at 0.278%, 0.528% and 0.63% of average daily net assets for Class A, B and B2 shares, respectively (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and organization and offering expenses).

Accordingly, for the six months ended June 30, 2006, the Advisor waived a portion of its Advisory fee aggregating $65,775 and the amount charged aggregated $1,159,599, which was equivalent to an annualized effective rate of 0.18% of the Portfolio's average daily net assets.

In addition, the Advisor reimbursed the Portfolio $6,036 for the record keeping fees of Class B2 shares for the six months ended June 30, 2006.

The Advisor may recoup any of its waived investment advisory fees within the following three years if the Portfolio is able to make the repayment without exceeding its contractual expense limits during the period of waiver/reimbursement. As of December 31, 2005, there were no amounts subject to repayment by the Advisor.

Administrative Service Fee. Prior to June 1, 2006, Investment Company Capital Corp. ("ICCC" or the "Administrator"), an affiliate of the Advisor, was the Portfolio's Administrator. The Portfolio paid the Administrator an annual fee ("Administrative service fee") based on its average daily net assets, computed and accrued daily and payable monthly at an annual rate of 0.03%. For the period January 1, 2006 through May 31, 2006, ICCC received an administrative service fee of $156,996, all of which is paid.

Effective June 1, 2006, the Administrator agreement with ICCC was terminated and the Portfolio entered into an Administrative Service Agreement with Deutsche Investment Management Americas, Inc. ("DeIM"), an indirect, wholly owned subsidiary of Deutsche Bank AG, pursuant to which DeIM provides most administrative services to the Portfolio. For all services provided under the Administrative Services Agreement, the Portfolio pays DeIM an annual fee ("Administration fee") of 0.10% of the Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the period June 1, 2006 through June 30, 2006, DeIM received an administration fee of $106,053, all of which is unpaid.

DeIM has and ICCC had entered into a sub-accounting agreement with DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a wholly owned subsidiary of Deutsche Bank AG. Under the agreement, DWS-SFAC performs accounting services and other related services to the Portfolio. Pursuant to a sub-accounting agreement between DWS-SFAC and State Street Bank and Trust Company, DWS-SFAC has delegated certain accounting functions to State Street Corporation. The costs and expenses of such delegation are borne by DeIM, and were borne by ICCC, not by the Portfolio.

Distribution Service Agreement. DWS Scudder Distributors, Inc. ("DWS-SDI"), also an affiliate of the Advisor, is the Portfolio's distributor. In accordance with the Distribution Plan, DWS-SDI receives 12b-1 fees of up to 0.25%

of average daily net assets of Class B and B2 shares. For the six months ended June 30, 2006, the Distribution Service Fees were as follows:

Distribution Service Fee		Total Aggregated		Unpaid at June 30, 2006
Class B	$	85,055		20,824
Class B2		72,025		13,269
	$	**157,080**	**$**	**34,093**

Service Provider Fees. DWS Scudder Investments Service Company ("DWS-SISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent for the Portfolio. Pursuant to a sub-transfer agency agreement between DWS-SISC and DST Systems, Inc. ("DST"), DWS-SISC has delegated certain transfer agent and dividend paying agent functions to DST. DWS-SISC compensates DST out of the shareholder servicing fee it receives from the Portfolio. For the six months ended June 30, 2006, the amounts charged to the Portfolio by DWS-SISC and DST aggregated $55,828, of which $190,742 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DeIM, DeIM is compensated for providing typesetting and certain regulatory filing services to the Portfolio. For the six months ended June 30, 2006, the amount charged to the Portfolio by DeIM included in reports to shareholders aggregated $4,068, of which $2,400 is unpaid.

Trustees Fees and Expenses. As compensation for his or her services, each Independent Trustee receives an aggregated annual fee, plus a fee for each meeting attended (plus reimbursement for reasonable out-of-pocket expenses incurred in connection with his or her attendance at board and committee meetings) from each Fund in the Fund Complex for which he or she serves. In addition, the Lead Trustee of the Board and the Chairman of each committee of the Board receives additional compensation for their services. Payment of such fees and expenses is allocated among all such Funds described above in direct proportion to their relative net assets.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Portfolio may invest in the Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Manager or Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Manager or Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Expense Reductions

The Portfolio has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Portfolio's custodian expenses. During the six months ended June 30, 2006, the Portfolio's custodian fees were reduced by $462 for custody credits earned.

E. Line of Credit

The Portfolio and several other affiliated funds (the "Participants") share in a $750 million revolving credit facility administered by JP Morgan Chase Bank N.A. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5%. The Portfolio may borrow up to a maximum of 33% of its net assets under the agreement.

F. Ownership of the Portfolio

At June 30, 2006, two participating insurance companies were beneficial owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 59% and 16%, respectively. At June 30, 2006, two participating insurance companies were beneficial owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 60% and 34%, respectively. At June 30, 2006, two participating insurance companies were beneficial owners of record of 10% or more of the outstanding Class B2 shares of the Portfolio, each owning 80% and 19%, respectively.

G. Regulatory Matters and Litigation

Market Timing Related Regulatory and Litigation Matters. Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors.

With respect to the lawsuits, based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the funds as follows:

> DeAM expects to reach final agreements with regulators in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.
>
> Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999–2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants.

Other Regulatory Matters. DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001–2003 with respect to directing brokerage commissions for portfolio transactions by certain DWS funds to broker-dealers that sold shares in the DWS funds and provided enhanced marketing and distribution for shares in the DWS funds. In addition, DWS Scudder Distributors, Inc. is in settlement discussions with the Enforcement Staff of the NASD regarding DWS Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as DWS Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons.

H. Acquisition of Assets

On September 16, 2005, the DWS Equity 500 Index VIP acquired all of the net assets of Scudder SVS II Index 500 Portfolio pursuant to a plan of reorganization approved by shareholders on September 2, 2005. The acquisition was accomplished by a tax-free exchange of 33,992,448 Class A shares and 7,616,366 Class B2 shares of the Scudder SVS II Index 500 Portfolio, respectively, for 24,054,780 Class A shares and 5,392,081 Class B2 shares of DWS Equity 500 Index VIP, respectively, outstanding on September 16, 2005. Scudder SVS II Index 500

Portfolio's net assets at that date of $381,052,382, including $69,449,584 of net unrealized appreciation, were combined with those of the DWS Equity 500 Index VIP. The aggregate net assets of the DWS Equity 500 Index VIP immediately before the acquisition were $859,731,509. The combined net assets of the DWS Equity 500 Index VIP immediately following the acquisition were $1,240,783,891.

Other Information

Additional information announced by Deutsche Asset Management regarding the terms of the expected settlements referred to in the Market Timing Related Regulatory and Litigation Matters and Other Regulatory Matters in the Notes to Financial Statements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Proxy Voting

A description of the fund's policies and procedures for voting proxies for portfolio securities and information about how the fund voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the fund's policies and procedures without charge, upon request, call us toll free at 1-800-621-1048.

Shareholder Meeting Results

A Special Meeting of Shareholders (the "Meeting") of DWS Investments VIT Funds (the "Fund") was held on May 5, 2006, at the offices of Deutsche Asset Management, 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted upon by the Shareholders (the resulting votes are presented below).

I. Election of Trustees. ("Number of Votes" represents all funds that are series of DWS Investments VIT Funds.)

	Number of Votes:	
	For	Withheld
Henry P. Becton, Jr.	90,776,022.825	3,767,879.874
Dawn-Marie Driscoll	90,634,404.365	3,909,498.334
Keith R. Fox	90,791,668.751	3,752,233.948
Kenneth C. Froewiss	90,771,594.500	3,772,308.199
Martin J. Gruber	90,715,472.102	3,828,430.597
Richard J. Herring	90,810,930.620	3,732,972.079
Graham E. Jones	90,698,771.929	3,845,130.770
Rebecca W. Rimel	90,681,776.859	3,862,125.840
Philip Saunders, Jr.	90,716,673.809	3,827,228.890
William N. Searcy, Jr.	90,728,370.338	3,815,532.361
Jean Gleason Stromberg	90,699,168.340	3,844,734.359
Carl W. Vogt	90,735,977.335	3,807,925.364
Axel Schwarzer	90,689,970.472	3,853,932.227

II-A. Approval of an Amended and Restated Investment Management Agreement with Deutsche Asset Management, Inc.

	Number of Votes:	
Affirmative	Against	Abstain
58,918,176.846	1,955,659.301	4,534,705.248

II-B. Approval of an Amended and Restated Investment Management Agreement with Deutsche Investment Management Americas Inc.

	Number of Votes:	
Affirmative	Against	Abstain
58,986,517.353	1,922,312.214	4,499,711.828

II-C. Approval of a Subadvisor Approval Policy.

	Number of Votes:	
Affirmative	Against	Abstain
58,294,736.434	2,419,196.325	4,694,608.636

III. Approval of revised fundamental investment restrictions on:

III-A. Borrowing Money

	Number of Votes:	
Affirmative	Against	Abstain
58,605,292.378	1,938,789.350	4,864,459.667

III-B. Pledging Assets

	Number of Votes:	
Affirmative	Against	Abstain
58,680,231.294	1,875,327.381	4,852,982.720

III-C. Senior Securities

Number of Votes:		
Affirmative	Against	Abstain
58,766,410.721	1,778,938.486	4,863,192.188

III-D. Concentration

Number of Votes:		
Affirmative	Against	Abstain
58,803,799.959	1,751,758.716	4,852,982.720

III-E. Underwriting of Securities

Number of Votes:		
Affirmative	Against	Abstain
58,850,586.916	1,694,762.291	4,863,192.188

III-F. Real Estate Investments

Number of Votes:		
Affirmative	Against	Abstain
58,829,821.545	1,715,527.662	4,863,192.188

III-G. Commodities

Number of Votes:		
Affirmative	Against	Abstain
58,730,308.501	1,815,040.706	4,863,192.188

III-H. Lending

Number of Votes:		
Affirmative	Against	Abstain
58,745,262.030	1,800,087.177	4,863,192.188

III-I. Portfolio Diversification for Diversified Funds

Number of Votes:		
Affirmative	Against	Abstain
58,850,325.131	1,705,230.544	4,852,982.720

III-K. Oil, Gas and Mineral Programs

Number of Votes:		
Affirmative	Against	Abstain
58,684,673.118	1,870,885.557	4,852,982.720

IV-A. Approval of Amended and Restated Declaration of Trust. ("Number of Votes" represents all funds that are series of DWS Investments VIT Funds.)

Number of Votes:		
Affirmative	Against	Abstain
85,808,378.965	2,981,421.936	5,754,101.798

The Meeting was reconvened on June 1, 2006, at which time the following matter was voted upon by the Shareholders. (The resulting votes are presented below.)

VI-B. Approval of Future Amendments to the Amended and Restated Declaration of Trust. ("Number of Votes" represents all funds that are series of DWS Investments VIT Funds.)

Number of Votes:		
Affirmative	Against	Abstain
89,118,434.930	3,652,849.477	6,890,954.333

* *Broker non-votes are proxies received by the fund from brokers or nominees when the broker or nominee neither has received instructions from the beneficial owner or other persons entitled to vote nor has discretionary power to vote on a particular matter.*

Notes

Notes

About the Portfolio's Advisor

Deutsche Asset Management, Inc., an indirect, wholly owned subsidiary of Deutsche Bank AG, is the Portfolio's Advisor.

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

DWS Scudder Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

vit-equ500-3 45953 (8/06)

DWS SCUDDER
Deutsche Bank Group

JUNE 30, 2006

SEMIANNUAL REPORT

DWS VARIABLE SERIES I

DWS Bond VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus, call (800) 778-1482 or your financial representative. We advise you to carefully consider the product's objectives, risks, charges and expenses before investing. The prospectus contains this and other important information about the product. Please read the prospectus carefully before you invest.

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER
Deutsche Bank Group

Information About Your Portfolio's Expenses

DWS Bond VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$ 995.00	$ 992.70
Expenses Paid per $1,000*	$ 3.17	$ 4.99
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,021.62	$1,019.79
Expenses Paid per $1,000*	$ 3.21	$ 5.06

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Bond VIP	.64%	1.01%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Bond VIP

Treasury rates rose by roughly 0.75% across the yield curve during the first half of 2006, which pushed the 10-year Treasury yield to 5.14%. Inflation concerns, a 1% increase in the fed funds rate and hawkish rhetoric from the US Federal Reserve Board (Fed) combined to pressure the Treasury market. On balance for the period, the non-Treasury sectors of the bond market, the Lehman Brothers Aggregate Bond Index, outperformed Treasuries despite significant underperformance late in the period. Through early May, these sectors benefited from strong fundamentals and demand for yield. However, the more hawkish Fed, weak equity markets, and higher volatility put downward pressure on prices in May and June.

Against this backdrop, DWS Bond VIP returned –0.50% (Class A shares, unadjusted for contract charges) for the six-month semiannual period, more resilient when compared with the –0.72% return of its benchmark, the Lehman Brothers Aggregate Bond Index. Security selection within the corporate sector had the largest positive impact on returns. Our sell discipline caused us to reduce risk in the corporate sector early in the year, which positively impacted returns. Our security selection process also led us to an overweight in the telecommunications sector, which performed well, and to an underweight in underperforming sectors such as energy and sovereigns. In addition, high yield holdings had a favorable impact on returns. On the flipside, exposure to the emerging-markets sector and home builders detracted from results, as did non-dollar bond holding.

The Portfolio's subadvisor is Aberdeen Asset Management, Inc. The following members of the management team handle the day-to-day operations of the core bond, active fixed income and high yield portions of the portfolio:

Senior Portfolio Managers:

Gary W. Bartlett, CFA
Warren S. Davis, III
Thomas J. Flaherty
J. Christopher Gagnier
Daniel R. Taylor, CFA
Timothy C. Vile, CFA
William T. Lissenden

The Portfolio's subadvisor is Aberdeen Asset Management, Inc. The following portfolio managers are responsible for the day-to-day management of the foreign securities, foreign currencies and related investments for the portfolio:

Portfolio Managers:

Brett Diment
Annette Fraser
Anthony Fletcher
Nik Hart
Stephen Ilott
Ian Winship
Matthew Cobon

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers Aggregate Bond Index is an unmanaged index representing domestic taxable investment-grade bonds, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities with average maturities of one year or more.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The yield curve is a graph with a left-to-right line that shows how high or low yields are, from the shortest to the longest maturities. Typically (and when the yield curve is characterized as "steep," this is especially true) the line rises from left to right as investors who are willing to tie up their money for a longer period are rewarded with higher yields.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Bond VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Commercial and Non-Agency Mortgage-Backed Securities	27%	19%
Corporate Bonds	19%	17%
US Treasury Obligations	13%	18%
Collateralized Mortgage Obligations	11%	15%
US Government Agency Sponsored Pass-Throughs	9%	7%
Foreign Bonds — US$ Denominated	7%	8%
Municipal Bonds and Notes	5%	5%
Asset Backed	3%	7%
Preferred Stocks	3%	—
Cash Equivalents	2%	3%
Foreign Bonds — Non US$ Denominated	1%	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
US Government & Treasury Obligations	33%	40%
AAA*	37%	32%
AA	2%	2%
A	8%	7%
BBB	14%	12%
BB or Below	6%	7%
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/06**	**12/31/05**
Under 1 year	5%	10%
1–4.99 years	41%	33%
5–9.99 years	41%	39%
10–14.99 years	3%	7%
15+ years	10%	11%
	100%	100%

* *Category includes cash equivalents*

Asset allocation, quality and effective maturity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's credit quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 5. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Bond VIP

	Principal Amount ($)(a)	Value ($)
Corporate Bonds 18.6%		
Consumer Discretionary 3.7%		
Auburn Hills Trust, 12.375%, 5/1/2020	88,000	124,211
Avis Budget Car Rental LLC:		
144A, 7.576%*, 5/15/2014	39,000	38,902
144A, 7.625%, 5/15/2014	199,000	193,030
Aztar Corp., 7.875%, 6/15/2014	25,000	26,438
Cablevision Systems Corp., Series B, 9.62%*, 4/1/2009	10,000	10,600
Caesars Entertainment, Inc.:		
7.875%, 3/15/2010	352,000	365,200
8.875%, 9/15/2008	15,000	15,750
Comcast Cable Communications Holdings, Inc., 9.455%, 11/15/2022	282,000	350,384
Comcast MO of Delaware, Inc., 9.0%, 9/1/2008	400,000	425,163
CSC Holdings, Inc.:		
7.25%, 7/15/2008	20,000	20,025
7.875%, 12/15/2007	20,000	20,250
DaimlerChrysler NA Holding Corp.:		
4.75%, 1/15/2008	390,000	383,623
Series E, 5.679%*, 10/31/2008	411,000	412,824
Dex Media East LLC/Financial, 12.125%, 11/15/2012	64,000	71,840
EchoStar DBS Corp.:		
6.625%, 10/1/2014	10,000	9,400
144A, 7.125%, 2/1/2016	259,000	249,287
Foot Locker, Inc., 8.5%, 1/15/2022	30,000	30,262
French Lick Resorts & Casinos, 144A, 10.75%, 4/15/2014	35,000	33,512
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011	40,000	43,900
Gregg Appliances, Inc., 9.0%, 2/1/2013	10,000	9,225
Harrah's Operating Co., Inc., 5.75%, 10/1/2017	840,000	765,227
Hertz Corp., 144A, 8.875%, 1/1/2014	205,000	210,125
INVISTA, 144A, 9.25%, 5/1/2012	301,000	316,050
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014	20,000	18,875
Jacobs Entertainment, Inc., 144A, 9.75%, 6/15/2014	15,000	15,075
Lear Corp., Series B, 8.11%, 5/15/2009 (b)	15,000	14,625
Liberty Media Corp.:		
8.25%, 2/1/2030 (b)	15,000	14,357
8.5%, 7/15/2029 (b)	15,000	14,589
Linens 'n Things, Inc., 144A, 10.702%*, 1/15/2014 (b)	10,000	9,475
MGM MIRAGE:		
144A, 6.75%, 4/1/2013	230,000	219,362
8.375%, 2/1/2011 (b)	10,000	10,250
9.75%, 6/1/2007	15,000	15,413
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010	10,000	10,563
Pokagon Gaming Authority, 144A, 10.375%, 6/15/2014	10,000	10,338
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012	15,000	15,488
PRIMEDIA, Inc.:		
8.875%, 5/15/2011 (b)	10,000	9,600
10.545%*, 5/15/2010	20,000	20,425
Resorts International Hotel & Casino, Inc., 11.5%, 3/15/2009	35,000	37,800
Royal Caribbean Cruises Ltd., 7.0%, 6/15/2013	222,000	219,986
Sinclair Broadcast Group, Inc., 8.75%, 12/15/2011	30,000	31,350
TCI Communications, Inc., 8.75%, 8/1/2015	608,000	694,682
Tele-Communications, Inc., 10.125%, 4/15/2022	168,000	213,757
The Bon-Ton Department Stores, Inc., 144A, 10.25%, 3/15/2014 (b)	10,000	9,275
Time Warner, Inc.:		
7.625%, 4/15/2031	944,000	1,016,428
7.7%, 5/1/2032	135,000	146,725
TRW Automotive, Inc., 11.0%, 2/15/2013	35,000	38,237
United Auto Group, Inc., 9.625%, 3/15/2012	30,000	31,350
Viacom, Inc.:		
144A, 5.75%, 4/30/2011	458,000	449,856
144A, 6.875%, 4/30/2036	420,000	405,326
		7,818,435
Consumer Staples 0.2%		
Alliance One International, Inc., 11.0%, 5/15/2012	10,000	9,500
Birds Eye Foods, Inc., 11.875%, 11/1/2008	15,000	15,281
Dean Foods Co., 7.0%, 6/1/2016	328,000	317,340
Delhaize America, Inc.:		
8.05%, 4/15/2027 (b)	10,000	9,753
9.0%, 4/15/2031	35,000	38,382
Harry & David Holdings, Inc., 10.231%*, 3/1/2012	10,000	9,500
Viskase Co., Inc., 11.5%, 6/15/2011	40,000	41,350
		441,106
Energy 2.2%		
Chaparral Energy, Inc., 144A, 8.5%, 12/1/2015	20,000	19,900
Chesapeake Energy Corp.:		
6.25%, 1/15/2018 (b)	10,000	9,125
6.375%, 6/15/2015	273,000	253,207
6.875%, 1/15/2016	25,000	23,625
7.625%, 7/15/2013	110,000	110,687
7.75%, 1/15/2015	10,000	10,025
Constellation Energy Group, 7.6%, 4/1/2032	380,000	414,243
Dominion Resources, Inc., 7.5%, 6/30/2066 (b)	955,000	949,103
Dynegy Holdings, Inc.:		
7.625%, 10/15/2026	20,000	17,500
144A, 8.375%, 5/1/2016	15,000	14,775
Edison Mission Energy, 144A, 7.75%, 6/15/2016	208,000	204,360

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
El Paso Production Holding Corp., 7.75%, 6/1/2013	20,000	20,150
Enterprise Products Operating LP:		
Series B, 5.0%, 3/1/2015 (b)	125,000	112,882
Series B, 6.375%, 2/1/2013	280,000	279,733
7.5%, 2/1/2011	347,000	364,129
Frontier Oil Corp., 6.625%, 10/1/2011	25,000	23,937
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	15,000	15,000
Northwest Pipeline Corp., 144A, 7.0%, 6/15/2016	57,000	56,644
Plains Exploration & Production Co.:		
7.125%, 6/15/2014	10,000	9,850
Series B, 8.75%, 7/1/2012	10,000	10,475
Range Resources Corp., 7.5%, 5/15/2016	10,000	9,875
Sempra Energy, 4.621%, 5/17/2007 (b)	760,000	752,595
Southern Natural Gas, 8.875%, 3/15/2010	30,000	31,688
Stone Energy Corp.:		
6.75%, 12/15/2014	25,000	25,094
144A, 8.24%*, 7/15/2010	25,000	25,000
Tri-State Generation & Transmission Association, 144A, 6.04%, 1/31/2018	880,000	863,181
Williams Companies, Inc.:		
8.125%, 3/15/2012	45,000	46,687
8.75%, 3/15/2032	20,000	21,750
		4,695,220

Financials 6.0%

	Principal Amount ($)(a)	Value ($)
American General Finance Corp.:		
2.75%, 6/15/2008 (b)	11,000	10,414
Series I, 4.875%, 5/15/2010	105,000	101,466
American International Group, Inc., 144A, 6.25%, 5/1/2036	930,000	891,340
Ameriprise Financial, Inc., 7.518%, 6/1/2066	265,000	266,605
Ashton Woods USA/Finance, 9.5%, 10/1/2015	20,000	17,700
ASIF Global Finance XVIII, 144A, 3.85%, 11/26/2007	1,101,000	1,074,950
BAC Capital Trust XI, 6.625%, 5/23/2036	385,000	380,323
E*TRADE Financial Corp.:		
7.375%, 9/15/2013	10,000	10,000
8.0%, 6/15/2011	15,000	15,300
Erac USA Finance Co.:		
144A, 5.6%, 5/1/2015	455,000	432,606
144A, 8.0%, 1/15/2011	330,000	356,536
ERP Operating LP, 6.95%, 3/2/2011	75,000	78,207
Farmers Exchange Capital, 144A, 7.2%, 7/15/2048	385,000	358,738
Ford Motor Credit Co.:		
7.25%, 10/25/2011	50,000	44,354
7.375%, 10/28/2009	100,000	92,454
7.875%, 6/15/2010	30,000	27,675
144A, 9.75%, 9/15/2010	488,920	476,396
General Motors Acceptance Corp.:		
6.875%, 9/15/2011	640,000	610,662
8.0%, 11/1/2031 (b)	50,000	48,058
H&E Equipment/Finance, 11.125%, 6/15/2012	10,000	11,043
ILFC E-Capital Trust I, 144A, 5.9%, 12/21/2065 (b)	1,085,000	1,057,663
ILFC E-Capital Trust II, 144A, 6.25%, 12/21/2065	100,000	94,482
Merrill Lynch & Co., Inc., 6.05%, 5/16/2016	955,000	948,709
NLV Financial Corp., 144A, 6.5%, 3/15/2035	734,000	649,884
Ohio Casualty Corp., 7.3%, 6/15/2014	125,000	126,427
Oil Insurance Ltd., 144A, 7.558%, 12/29/2049	1,505,000	1,498,212
Poster Financial Group, Inc., 8.75%, 12/1/2011	25,000	26,000
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	40,000	43,900
RBS Capital Trust III, 5.512%, 9/29/2049	520,000	484,789
Reinsurance Group of America, Inc., 6.75%, 12/15/2065 (b)	1,010,000	929,937
Residential Capital Corp., 6.5%, 4/17/2013	435,000	426,886
Sovereign Capital Trust VI, 7.908%, 6/13/2036	440,000	451,708
TIG Capital Holdings Trust, 144A, 8.597%, 1/15/2027	30,000	22,650
Triad Acquisition Corp., Series B, 11.125%, 5/1/2013	10,000	9,850
United Dominion Realty Trust, Inc., Series E, (REIT), 3.9%, 3/15/2010	245,000	229,576
Universal City Development, 11.75%, 4/1/2010	30,000	32,663
Verizon Global Funding Corp., 7.75%, 12/1/2030 (b)	326,000	351,607
		12,689,770

Health Care 0.8%

	Principal Amount ($)(a)	Value ($)
Aetna, Inc., 5.75%, 6/15/2011	425,000	422,012
Boston Scientific Corp., 6.0%, 6/15/2011	476,000	469,584
Lincoln National Corp., 7.0%, 5/17/2066 (b)	780,000	773,950
Tenet Healthcare Corp., 144A, 9.5%, 2/1/2015	25,000	24,563
		1,690,109

Industrials 1.7%

	Principal Amount ($)(a)	Value ($)
Allied Waste North America, Inc., Series B, 9.25%, 9/1/2012	25,000	26,500
America West Airlines, Inc., Series 99-1, 7.93%, 1/2/2019	232,169	244,938
Arizona Public Service Co., 5.625%, 5/15/2033	465,000	397,992
Browning-Ferris Industries:		
7.4%, 9/15/2035	20,000	17,800
9.25%, 5/1/2021	15,000	15,225
Case New Holland, Inc., 9.25%, 8/1/2011	30,000	31,575
Cenveo Corp., 7.875%, 12/1/2013	20,000	19,500
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	10,000	9,825
Compression Polymers Corp.:		
144A, 10.5%, 7/1/2013	25,000	25,500
144A, 11.44%*, 7/1/2012	15,000	15,300
Corrections Corp. of America, 6.75%, 1/31/2014	128,000	122,880
D.R. Horton, Inc., 5.375%, 6/15/2012 (b)	673,000	628,896

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
DRS Technologies, Inc., 7.625%, 2/1/2018	15,000	14,925
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2015	318,000	278,647
6.25%, 1/15/2016	25,000	21,688
8.625%, 1/15/2017 (b)	135,000	133,987
8.875%, 4/1/2012	20,000	19,900
Kansas City Southern:		
7.5%, 6/15/2009	10,000	10,000
9.5%, 10/1/2008	35,000	36,663
Millennium America, Inc., 9.25%, 6/15/2008	10,000	10,250
Pulte Homes, Inc., 7.875%, 8/1/2011	817,000	857,474
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	10,000	11,075
Standard Pacific Corp., 6.5%, 8/15/2010 (b)	130,000	121,875
The Brickman Group Ltd., Series B, 11.75%, 12/15/2009	20,000	21,500
Xerox Capital Trust I, 8.0%, 2/1/2027	10,000	10,038
Xerox Corp.:		
6.4%, 3/15/2016	390,000	368,062
7.125%, 6/15/2010	31,000	31,233
		3,503,248

Information Technology 0.3%

	Principal Amount ($)(a)	Value ($)
L-3 Communications Corp.:		
5.875%, 1/15/2015	25,000	23,313
Series B, 6.375%, 10/15/2015	10,000	9,550
7.625%, 6/15/2012	492,000	499,380
Lucent Technologies, Inc., 6.45%, 3/15/2029	60,000	51,000
Sanmina-SCI Corp., 8.125%, 3/1/2016	15,000	14,625
UGS Corp., 10.0%, 6/1/2012	20,000	21,500
Unisys Corp., 7.875%, 4/1/2008 (b)	35,000	35,000
		654,368

Materials 0.5%

	Principal Amount ($)(a)	Value ($)
ARCO Chemical Co., 9.8%, 2/1/2020	55,000	64,625
Chemtura Corp., 6.875%, 6/1/2016	314,000	303,402
Crown Cork & Seal Co., Inc., 7.5%, 12/15/2096	10,000	7,950
Equistar Chemical Funding, 10.625%, 5/1/2011	15,000	16,106
Exopac Holding Corp., 144A, 11.25%, 2/1/2014	20,000	20,200
GEO Specialty Chemicals, Inc., 144A, 13.479%*, 12/31/2009	48,000	41,820
Greif, Inc., 8.875%, 8/1/2012	10,000	10,525
Hexcel Corp., 6.75%, 2/1/2015	15,000	14,025
Huntsman LLC, 11.625%, 10/15/2010	31,000	34,255
IMC Global, Inc., 10.875%, 8/1/2013	146,000	162,425
International Steel Group, Inc., 6.5%, 4/15/2014	10,000	9,450
Lyondell Chemical Co., 10.5%, 6/1/2013	10,000	11,000
Massey Energy Co.:		
6.625%, 11/15/2010	20,000	19,700
6.875%, 12/15/2013	15,000	13,950
Mueller Holdings, Inc., Step-up Coupon, 0% to 4/15/2009, 14.75% to 4/15/2014	31,000	26,040
Omnova Solutions, Inc., 11.25%, 6/1/2010	35,000	37,100
Oregon Steel Mills, Inc., 10.0%, 7/15/2009	10,000	10,500
Pliant Corp., 11.625%, 6/15/2009 (PIK)	7	8
Rockwood Specialties Group, Inc., 10.625%, 5/15/2011	11,000	11,756
United States Steel Corp., 9.75%, 5/15/2010	20,000	21,300
Westlake Chemical Corp., 6.625%, 1/15/2016	289,000	266,964
Witco Corp., 6.875%, 2/1/2026	10,000	8,900
		1,112,001

Telecommunication Services 0.7%

	Principal Amount ($)(a)	Value ($)
AT&T, Inc., 6.8%, 5/15/2036 (b)	438,000	434,135
Cincinnati Bell, Inc.:		
7.25%, 7/15/2013	25,000	24,625
8.375%, 1/15/2014 (b)	20,000	19,700
Citizens Communications Co., 9.0%, 8/15/2031	127,000	128,587
Embarq Corp., 7.995%, 6/1/2036	690,000	693,521
Insight Midwest LP, 9.75%, 10/1/2009	25,000	25,500
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	55,000	55,983
PanAmSat Corp., 144A, 9.0%, 6/15/2016	10,000	10,150
Qwest Corp., 7.25%, 9/15/2025	25,000	23,375
US Unwired, Inc., Series B, 10.0%, 6/15/2012	15,000	16,650
Verizon New England, Inc., 6.5%, 9/15/2011	141,000	141,044
Windstream Corp., 144A, 8.625%, 8/1/2016	15,000	15,338
		1,588,608

Utilities 2.5%

	Principal Amount ($)(a)	Value ($)
AES Corp., 144A, 8.75%, 5/15/2013	70,000	74,900
Allegheny Energy Supply Co. LLC:		
7.8%, 3/15/2011	129,000	133,838
144A, 8.25%, 4/15/2012	266,000	282,625
CC Funding Trust I, 6.9%, 2/16/2007	758,000	762,253
CMS Energy Corp., 8.5%, 4/15/2011	45,000	46,913
Commonwealth Edison Co., Series 98, 6.15%, 3/15/2012	550,000	555,477
Consumers Energy Co., Series F, 4.0%, 5/15/2010	980,000	912,358
Entergy Louisiana LLC, 6.3%, 9/1/2035	140,000	128,726
Entergy Mississippi, Inc., 5.92%, 2/1/2016	225,000	216,394
FPL Energy National Wind, 144A, 5.608%, 3/10/2024	541,717	518,640
Mission Energy Holding Co., 13.5%, 7/15/2008	60,000	66,900
Nevada Power Co., 144A, 6.65%, 4/1/2036	196,000	185,132
NRG Energy, Inc.:		
7.25%, 2/1/2014	80,000	78,000
7.375%, 2/1/2016	95,000	92,625
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	50,000	54,000

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Sierra Pacific Power Co., 144A, 6.0%, 5/15/2016	207,000	196,804
Sierra Pacific Resources:		
6.75%, 8/15/2017	15,000	14,172
8.625%, 3/15/2014	10,000	10,593
TXU Corp., 7.48%, 1/1/2017	616,000	619,641
TXU Energy Co., 7.0%, 3/15/2013	235,000	239,873
		5,189,864
Total Corporate Bonds (Cost $40,640,802)		**39,382,729**

Foreign Bonds — US$ Denominated 7.1%

Consumer Discretionary 0.0%

	Principal Amount ($)(a)	Value ($)
Jafra Cosmetics International, Inc., 10.75%, 5/15/2011	34,000	36,465
Shaw Communications, Inc., 8.25%, 4/11/2010	10,000	10,325
		46,790

Energy 0.2%

	Principal Amount ($)(a)	Value ($)
OAO Gazprom, 144A, 9.625%, 3/1/2013	400,000	458,500
Secunda International Ltd., 13.068%*, 9/1/2012	10,000	10,450
		468,950

Financials 2.7%

	Principal Amount ($)(a)	Value ($)
AES El Salvador Trust, 144A, 6.75%, 2/1/2016	475,000	437,595
Banco Do Estado de Sao Paulo, 144A, 8.7%, 9/20/2049	135,000	132,300
ChinaTrust Commercial Bank, 144A, 5.625%, 12/29/2049	325,000	297,079
DBS Capital Funding Corp., 144A, 7.657%, 3/31/2049	337,000	358,984
Deutsche Telekom International Finance BV, 5.75%, 3/23/2016 (b)	943,000	890,012
Doral Financial Corp., 5.91%*, 7/20/2007	25,000	23,814
Kazakhstan Temir Zholy Finance BV, 7.0%, 5/11/2016	250,000	244,040
Mantis Reef Ltd., 144A, 4.692%, 11/14/2008	1,330,000	1,289,105
Mizuho Financial Group, (Cayman), 8.375%, 12/29/2049	1,100,000	1,153,020
Royal Bank of Scotland Group PLC, Series 1, 9.118%, 3/31/2049	355,000	389,861
SPI Electricity & Gas Australia Holdings Property Ltd., 144A, 6.15%, 11/15/2013	425,000	422,756
		5,638,566

Health Care 0.0%

	Principal Amount ($)(a)	Value ($)
Biovail Corp., 7.875%, 4/1/2010	30,000	**30,375**

Industrials 0.7%

	Principal Amount ($)(a)	Value ($)
Grupo Transportacion Ferroviaria Mexicana SA de CV:		
9.375%, 5/1/2012	147,000	156,555
10.25%, 6/15/2007	40,000	41,200
12.5%, 6/15/2012	30,000	33,075
Tyco International Group SA:		
6.375%, 10/15/2011	353,000	360,193
6.75%, 2/15/2011	908,000	936,829
		1,527,852

Materials 0.9%

	Principal Amount ($)(a)	Value ($)
Cascades, Inc., 7.25%, 2/15/2013	25,000	23,125
Celulosa Arauco y Constitucion SA:		
5.125%, 7/9/2013	274,000	251,481
5.625%, 4/20/2015	385,000	358,548
ISPAT Inland ULC, 9.75%, 4/1/2014	26,000	28,665
Novelis, Inc., 144A, 7.75%, 2/15/2015	20,000	19,200
Sociedad Concesionaria Autopista Central, 144A, 6.223%, 12/15/2026	1,365,000	1,370,829
		2,051,848

Sovereign Bonds 0.8%

	Principal Amount ($)(a)	Value ($)
Dominican Republic:		
Series REG S, 8.625%, 4/20/2027	200,000	199,000
Series REG S, 9.04%, 1/23/2018	74,818	78,371
Federative Republic of Brazil, 8.875%, 10/14/2019	10,000	11,140
Government of Ukraine, Series REG S, 7.65%, 6/11/2013	200,000	201,000
Republic of Argentina:		
Zero Coupon, 12/15/2035	447,898	39,460
Step-up Coupon, 1.33% to 3/31/2009, 2.5% to 3/31/2019, 3.75% to 3/31/2029, 5.25% to 12/31/2038	180,000	65,250
4.889%*, 8/3/2012	20,000	16,530
8.28%, 12/31/2033 (PIK)	98,012	87,329
Republic of Ecuador, Series REG S, 9.375%, 12/15/2015	200,000	198,000
Republic of El Salvador, Series REG S, 7.65%, 6/15/2035	130,000	126,100
Republic of Panama, 6.7%, 1/26/2036	20,000	18,300
Republic of Philippines:		
9.375%, 1/18/2017	70,000	77,700
10.625%, 3/16/2025	60,000	74,100
Republic of Uruguay, 7.625%, 3/21/2036	120,000	108,000
Republic of Venezuela, 10.75%, 9/19/2013	50,000	59,650
State of Qatar, Series REG S, 9.75%, 6/15/2030	220,000	307,120
United Mexican States:		
5.625%, 1/15/2017 (b)	16,000	14,880
8.3%, 8/15/2031	60,000	69,300
		1,751,230

Telecommunication Services 1.4%

	Principal Amount ($)(a)	Value ($)
Embratel, Series B, 11.0%, 12/15/2008 (b)	10,000	10,900
Mobifon Holdings BV, 12.5%, 7/31/2010	60,000	67,950
Nordic Telephone Co. Holdings, 144A, 8.875%, 5/1/2016	182,000	187,005
Nortel Networks Ltd.:		
144A, 9.73%*, 7/15/2011	20,000	20,350
144A, 10.125%, 7/15/2013	10,000	10,175
144A, 10.75%, 7/15/2016	10,000	10,175
Stratos Global Corp., 144A, 9.875%, 2/15/2013	20,000	18,800
Telecom Italia Capital:		
4.0%, 1/15/2010 (b)	175,000	163,761
4.95%, 9/30/2014	370,000	331,245
5.25%, 11/15/2013	648,000	599,054

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		Principal Amount ($)(a)	Value ($)
Telefonica Europe BV, 7.75%, 9/15/2010		1,527,000	1,619,912
			3,039,327
Utilities 0.3%			
Scottish Power PLC, 5.81%, 3/15/2025		745,000	**695,169**
Total Foreign Bonds — US$ Denominated (Cost $15,676,606)			**15,250,107**

Foreign Bonds — Non US$ Denominated 1.3%

		Principal Amount ($)(a)	Value ($)
Financials 0.2%			
European Investment Bank, 10.0%, 1/28/2011	TRY	320,000	156,815
Red Arrow International Leasing PLC, 8.375%, 3/31/2012	RUB	5,000,000	188,033
			344,848
Sovereign Bonds 1.1%			
Central Bank of Argentina, 2.0%, 2/4/2018	ARS	189,545	79,598
Government of Indonesia:			
Series FR-23, 11.0%, 12/15/2012	IDR	800,000,000	80,320
Series FR-26, 11.0%, 10/15/2014	IDR	1,547,000,000	153,648
Series FR-33, 12.5%, 3/15/2013	IDR	600,000,000	64,579
Government of Malaysia, Series 1/04, 4.305%, 2/27/2009	MYR	570,000	154,565
Mexican Bonds:			
Series MI-10, 8.0%, 12/19/2013	MXN	12,030,000	1,004,405
Series M-20, 8.0%, 12/7/202	MXN	4,780,000	368,786
Series MI-10, 9.5%, 12/18/2014	MXN	230,000	20,779
Republic of Argentina:			
Zero Coupon, 12/15/2035	ARS	1,246,290	31,726
5.83%, 12/31/2033 (PIK)	ARS	220,000	82,435
Republic of Peru, 8.2%, 8/12/2026	PEN	550,000	166,087
			2,206,928
Total Foreign Bonds — Non US$ Denominated (Cost $2,774,743)			**2,551,776**

Asset Backed 3.3%

	Principal Amount ($)(a)	Value ($)
Automobile Receivables 0.3%		
Drive Auto Receivables Trust, "A2", Series 2005-2, 144A, 4.12%, 1/15/2010	418,691	413,115
MMCA Automobile Trust:		
"A4", Series 2002-2, 4.3%, 3/15/2010	111,900	111,801
"B", Series 2002-1, 5.37%, 1/15/2010	98,005	97,665
		622,581
Home Equity Loans 3.0%		
Aegis Asset Backed Securities Trust, "N1", Series 2005-5N, 144A, 4.5%, 12/25/2023	398,055	393,430
Merrill Lynch Mortgage Investors, Inc., "A1A", Series 2005-NCB, 5.451%, 7/25/2036	420,421	417,845
New Century Home Equity Loan Trust, "A2", Series 2005-A, 4.461%, 8/25/2035	1,595,000	1,571,336
Renaissance Home Equity Loan Trust, "AF3", Series 2004-2, 4.464%, 7/25/2034	820,000	812,869
Residential Asset Mortgage Products, Inc.:		
"A3", Series 2003-RZ4, 3.38%, 2/25/2030	335,332	330,943
"AI3", Series 2004-RS4, 4.003%, 1/25/2030	556,004	553,575
Residential Asset Securities Corp., "AI6", Series 2000-KS1, 7.905%, 2/25/2031	872,616	869,418
Terwin Mortgage Trust, "AF2", Series 2005-14HE, 4.849%, 8/25/2036	1,525,000	1,480,782
		6,430,198
Total Asset Backed (Cost $7,218,522)		**7,052,779**

Preferred Stocks 2.6%

	Shares	Value ($)
Arch Capital Group Ltd., 8.0%	4,202	105,707
Dresdner Funding Trust I, 144A, 8.151%	600,000	668,807
Markel Capital Trust I, Series B, 8.71%	88,000	91,207
MUFG Capital Finance 1 Ltd. 6.346%	1,995,000	1,924,357
Wachovia Capital Trust III, 5.8%	1,195,000	1,159,630
Washington Mutual Preferred Funding Delaware, Series A-1, 144A, 6.534% (b)	600,000	574,836
ZFS Finance USA Trust I, 144A, 6.15% (b)	1,080,000	1,034,717
Total Preferred Stocks (Cost $5,731,268)		**5,559,261**

Other Investments 0.0%

	Units	Value ($)
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029 (Cost $12,910)	15,000	**12,150**

Convertible Preferred Stocks 0.0%

	Shares	Value ($)
Consumer Discretionary		
ION Media Networks, Inc., 144A, Series AI, 9.75%, (PIK) (Cost $7,000)	1	**6,975**

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	Principal Amount ($)(a)	Value ($)
US Government Agency Sponsored Pass-Throughs 8.7%		
Federal Home Loan Mortgage Corp., 5.5%, with various maturities from 11/15/2016 until 8/1/2024	2,236,352	2,195,466
Federal National Mortgage Association:		
4.5%, with various maturities from 10/1/2033 until 6/1/2034 (g)	1,739,287	1,582,064
5.0%, with various maturities from 3/1/2025 until 5/1/2034	2,736,495	2,582,302
5.5%, with various maturities from 7/1/2023 until 3/1/2035	2,877,496	2,788,569
6.0%, with various maturities from 4/1/2024 until 3/1/2025 (g)	1,998,539	1,990,517
6.31%, 6/1/2008	1,700,000	1,706,505
6.5%, with various maturities from 3/1/2017 until 6/1/2036 (g)	5,481,494	5,514,612
8.0%, 9/1/2015	53,737	56,561
Total US Government Agency Sponsored Pass-Throughs (Cost $18,928,591)		**18,416,596**
Commercial and Non-Agency Mortgage-Backed Securities 27.1%		
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.431%, 1/25/2036	820,000	794,382
American Home Mortgage Investment Trust, "5A3", Series 2005-2, 5.077%, 9/25/2035	1,050,000	1,028,965
Banc of America Commercial Mortgage, Inc., "A4", Series 2005-5, 5.115%, 10/10/2045	1,465,000	1,385,064
Banc of America Funding Corp., "1A23", Series 2006-1, 5.75%, 1/25/2036	960,000	911,171
Banc of America Mortgage Securities:		
"2A6", Series 2004-F, 4.152%*, 7/25/2034	1,180,000	1,127,828
"2A8", Series 2003-J, 4.197%*, 11/25/2033	820,000	798,701
Bear Stearns Adjustable Rate Mortgage Trust:		
"2A3", Series 2005-4, 4.45%*, 8/25/2035	580,000	554,678
"2A2", Series 2005-4, 4.567%*, 8/25/2035	950,000	911,128
"A1", Series 2006-1, 4.625%*, 2/25/2036	2,351,548	2,275,218
Chase Mortgage Finance Corp., "3A1", Series 2005-A1, 5.277%*, 12/25/2035	1,524,847	1,490,891
Citigroup Commercial Mortgage Trust, "ASB", Series 2006-C4, 5.721%, 3/15/2049	1,415,000	1,408,371
Citigroup Mortgage Loan Trust, Inc.:		
"1A2", Series 2006-AR2, 5.565%, 3/25/2036	1,388,219	1,373,631
"1A3A", Series 2006-AR5, 5.957%, 6/25/2036	945,000	940,784
"1A3", Series 2004-NCM1, 6.75%, 7/25/2034	333,313	334,979
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	832,778	836,942
Countrywide Alternative Loan Trust:		
"1A1", Series 2004-2CB, 4.25%, 3/25/2034	577,976	562,043
"A1", Series 2004-1T1, 5.0%, 2/25/2034	617,856	604,810
"A2", Series 2002-18, 5.25%, 2/25/2033	1,041,348	1,016,043
"A2", Series 2003-21T1, 5.25%, 12/25/2033	815,329	803,974
"A2", Series 2004-1T1, 5.5%, 2/25/2034	410,341	406,762
"4A3", Series 2005-43, 5.762%, 10/25/2035	646,438	635,535
"A1", Series 2004-35T2, 6.0%, 2/25/2035	686,372	683,603
Countrywide Home Loans:		
"2A2C", Series 2006-HYB1, 5.302%, 3/20/2036	930,000	903,994
"2A1", Series 2006-HYB1, 5.422%, 3/20/2036	868,756	857,590
"A1", Series 2005-29, 5.75%, 12/25/2035	1,360,127	1,321,061
"A2", Series 2006-1, 6.0%, 3/25/2036	1,088,937	1,064,190
GMAC Mortgage Corp. Loan Trust:		
"A15", Series 2004-J1, 5.25%, 4/25/2034	652,613	644,378
"A1", Series 2006-J1, 5.75%, 4/25/2036	1,390,410	1,376,069
Greenwich Capital Commercial Funding Corp., "AAB", Series 2006-GG7, 6.11%, 9/10/2015	955,000	958,197
GS Mortgage Securities Corp. II, "A4", Series 2005-GG4, 4.761%, 7/10/2039	1,500,000	1,385,158
GSR Mortgage Loan Trust, "4A5", Series 2005-AR6, 4.553%*, 9/25/2035	845,000	810,005
JPMorgan Chase Commercial Mortgage Securities Corp., "A4", Series 2005-LDP5, 5.345%, 12/15/2044	690,000	660,143
JPMorgan Mortgage Trust:		
"7A1", Series 2006-A3, 4.584%, 4/25/2035	1,439,959	1,396,573
"2A4", Series 2006-A2, 5.77%, 4/25/2036	1,420,000	1,385,324
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	1,079,517	1,066,166
"3A1", Series 2004-5, 6.5%, 6/25/2034	88,772	88,551
"5A1", Series 2005-2, 6.5%, 12/25/2034	171,641	171,105
"8A1", Series 2004-3, 7.0%, 4/25/2034	83,651	83,436
Master Asset Securitization Trust:		
"8A1", Series 2003-6, 5.5%, 7/25/2033	566,848	540,454
"2A7", Series 2003-9, 5.5%, 10/25/2033	624,836	594,570
Merrill Lynch Mortgage Investors Trust, "A2", Series 2005-A5, 4.566%, 6/25/2035	105,000	99,816
RAAC Series, "2A5", Series 2005-SP1, 5.25%, 9/25/2034	1,150,000	1,138,355

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	Principal Amount ($)(a)	Value ($)
Residential Accredit Loans, Inc.:		
"CB", Series 2004-QS2, 5.75%, 2/25/2034	728,085	705,560
"A2", Series 2006-QS4, 6.0%, 4/25/2036	1,423,143	1,415,806
Residential Asset Mortgage Products, Inc., "A4", Series 2003-RZ4, 4.04%, 12/25/2030	990,000	961,456
Structured Adjustable Rate Mortgage Loan:		
"6A3", Series 2005-21, 5.4%, 11/25/2035	740,000	713,869
"5A1", Series 2005-18, 5.572%*, 9/25/2035	697,592	687,393
"7A4", Series 2006-1, 5.62%, 2/25/2036	930,000	901,233
Structured Adjustable Rate Mortgage Loan Trust, "2A3", Series 2006-6, 6.0%, 7/25/2036	960,000	943,050
Structured Asset Securities Corp., "2A1", Series 2003-1, 6.0%, 2/25/2018	6,774	6,780
Wachovia Bank Commercial Mortgage Trust, "AMFX", Series 2005-C20, 5.179%, 7/15/2042	1,550,000	1,463,148
Wachovia Mortgage Loan Trust LLC, "3A1", Series 2005-B, 5.187%*, 10/20/2035	1,316,169	1,285,070
Washington Mutual:		
"A6", Series 2004-AR7, 3.943%, 7/25/2034	740,000	709,950
"A7, Series 2004-AR9, 4.168%, 8/25/2034	737,000	704,427
"2A1", Series 2002-S8, 4.5%, 1/25/2018	157,716	156,340
"A1", Series 2005-AR3, 4.647%, 3/25/2035	576,859	561,534
"1A3", Series 2005-AR16, 5.117%, 12/25/2035	825,000	796,013
Washington Mutual Mortgage Pass-Through Certificates, "2CB1", Series 2006-1, 7.0%, 2/25/2036	1,188,219	1,198,980
Wells Fargo Mortgage Backed Securities Trust:		
"B1", Series 2005-AR12, 4.325%*, 7/25/2035	766,294	726,305
"2A5", Series 2006-AR2, 5.093%*, 3/25/2036	3,206,844	3,143,243
"A4", Series 2005-AR14, 5.387%*, 8/25/2035	945,000	910,791
"2A5", Series 2006-AR1, 5.568%*, 3/25/2036	935,000	910,129
"1A3", Series 2006-6, 5.75%, 5/25/2036	1,033,824	1,021,940
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $58,492,750)		**57,353,655**

Collateralized Mortgage Obligations 11.0%

	Principal Amount ($)(a)	Value ($)
Fannie Mae Whole Loan, "1A1", Series 2004-W15, 6.0%, 8/25/2044	441,794	437,360
Federal Home Loan Mortgage Corp.:		
"KB", Series 2552, 4.25%, 6/15/2027	886,552	873,325
"WJ", Series 2557, 5.0%, 7/15/2014	889,340	880,297
"PE", Series 2721, 5.0%, 1/15/2023	2,425,000	2,269,213
"EW", Series 2545, 5.0%, 3/15/2029	609,473	599,640
"PD", Series 2844, 5.0%, 12/15/2032	1,580,000	1,471,766
"EG", Series 2836, 5.0%, 12/15/2032	1,580,000	1,471,758
"PD", Series 2783, 5.0%, 1/15/2033	761,000	712,907
"TE", Series 2780, 5.0%, 1/15/2033	1,150,000	1,074,283
"NE", Series 2802, 5.0%, 2/15/2033	1,580,000	1,474,364
"PD", Series 2893, 5.0%, 2/15/2033	800,000	745,591
"OG", Series 2889, 5.0%, 5/15/2033	685,000	637,771
"PE", Series 2898, 5.0%, 5/15/2033	335,000	312,053
"ND", Series 2950, 5.0%, 6/15/2033	1,140,000	1,059,472
"BG", Series 2869, 5.0%, 7/15/2033	185,000	172,693
"PD", Series 2939, 5.0%, 7/15/2033	535,000	497,485
"KD", Series 2915, 5.0%, 9/15/2033	1,140,000	1,060,881
"HD", Series 3056, 5.0%, 2/15/2034	845,000	782,046
"KG", Series 2987, 5.0%, 12/15/2034	1,470,000	1,362,282
"CH", Series 2390, 5.5%, 12/15/2016	200,000	197,595
"PE", Series 2522, 5.5%, 3/15/2022	950,000	943,720
Federal National Mortgage Association:		
"PE", Series 2005-44, 5.0%, 7/25/2033	300,000	278,223
"ME", Series 2005-14, 5.0%, 10/25/2033	1,525,000	1,416,115
"EG", Series 2005-22, 5.0%, 11/25/2033	750,000	696,030
"OG", Series 2001-69, 5.5%, 12/25/2016	750,000	743,026
"PG", Series 2002-3, 5.5%, 2/25/2017	500,000	495,329
"QC", Series 2002-11, 5.5%, 3/25/2017	290,000	287,474
"VD", Series 2002-56, 6.0%, 4/25/2020	54,762	54,660
"PM", Series 2001-60, 6.0%, 3/25/2030	31,843	31,763
"ZQ", Series G92-9, 7.0%, 12/25/2021	148,920	150,050
Government National Mortgage Association, "KA", Series 2002-5, 6.0%, 8/16/2026	20,460	20,419
Total Collateralized Mortgage Obligations (Cost $24,137,206)		**23,209,591**

Municipal Bonds and Notes 4.7%

	Principal Amount ($)(a)	Value ($)
Gainesville, FL, Post-Employment Benefits Obligation Revenue, Retiree Health Care Plan,4.6%, 10/1/2012 (c)	630,000	596,364

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	Principal Amount ($)(a)	Value ($)
Georgia, Winder-Barrow Industrial Building Authority Revenue, Barrow County Economic Development, 5.65%, 10/1/2015 (c)	465,000	459,457
Hoboken, NJ, Core City General Obligation, 6.5%, 4/1/2026 (c)	1,900,000	2,013,392
Illinois, State General Obligation, 4.95%, 6/1/2023	195,000	176,611
Jicarilla, NM, Apache Nation Revenue, 144A, 3.85%, 12/1/2008	680,000	653,766
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	670,000	649,572
Los Angeles, CA, Community Redevelopment Agency, Financing Authority Revenue, Bunker Hill Project, Series B, 4.99%, 12/1/2012 (c)	680,000	655,234
Pittburgh, PA, Taxable General Obligation, Series A, 5.41%, 9/1/2007 (c)	1,240,000	1,237,198
Trenton, NJ, Core City General Obligation, School District Revenue, 4.7%, 4/1/2013 (c)	745,000	701,075
Union County, NJ, Improvement Authority, Student Loan Revenue, 5.29%, 4/1/2018 (c)	940,000	895,463
Virgin Islands, Port Authority Marine Revenue, Series B, 5.08%, 9/1/2013 (c)	1,420,000	1,367,119
Washington, State Economic Development Finance Authority Revenue, CSC Tacoma LLC Project, Series A, 3.8%, 10/1/2011 (c)	550,000	506,813
Total Municipal Bonds and Notes (Cost $10,076,256)		**9,912,064**

	Principal Amount ($)(a)	Value ($)
US Treasury Obligations 13.2%		
US Treasury Bonds:		
6.0%, 2/15/2026 (b)	5,037,000	5,456,094
7.25%, 5/15/2016 (b)	930,000	1,076,839
7.5%, 11/15/2016	820,000	969,906
8.125%, 8/15/2019	300,000	379,805
US Treasury Notes:		
2.875%, 11/30/2006 (b)	2,008,000	1,988,546
4.25%, 8/15/2013	430,000	407,962
4.25%, 11/15/2013 (b)	3,283,000	3,106,795
4.375%, 11/15/2008	420,000	412,814
4.5%, 11/15/2010 (b)	13,033,000	12,730,595
4.5%, 2/28/2011 (b)	1,496,000	1,458,717
Total US Treasury Obligations (Cost $28,829,181)		**27,988,073**

	Shares	Value ($)
Securities Lending Collateral 14.9%		
Daily Assets Fund Institutional, 5.1% (d) (e) (Cost $31,410,769)	31,410,769	**31,410,769**
Cash Equivalents 2.5%		
Cash Management QP Trust, 5.07% (f) (Cost $5,322,785)	5,322,785	**5,322,785**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $249,259,389)†	115.0	**243,429,310**
Other Assets and Liabilities, Net	(15.0)	**(31,718,539)**
Net Assets	100.0	**211,710,771**

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2006.*

† *The cost for federal income tax purposes was $249,368,885. At June 30, 2006, net unrealized depreciation for all securities based on tax cost was $5,939,575. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $262,002 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,201,577.*

(a) *Principal amount stated in US dollars unless otherwise noted.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $30,941,093 which is 14.6% of net assets.*

(c) *Bond is insured by one of these companies:*

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group	0.3
Financial Guaranty Insurance Co.	0.8
Financial Security Assurance, Inc.	0.9
MBIA Corp.	1.5

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

(f) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(g) *Mortgage dollar rolls included.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

PIK: Denotes that all or a portion of the income is paid in kind.

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and Federal Home Loan Mortgage Corp. issues have similar coupon rates and have been aggregated for presentation purposes in the investment portfolio.

As of June 30, 2006, the Portfolio entered into the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
EUR	831,497	CAD	1,170,000	7/28/2006	15,247
CAD	610,000	EUR	549,475	7/28/2006	2,538
USD	542,287	EUR	436,000	7/28/2006	16,543
USD	13,745	EUR	11,000	7/28/2006	354
USD	962,331	EUR	770,000	7/28/2006	24,593
USD	538,715	EUR	426,000	7/28/2006	7,297
USD	540,032	EUR	426,000	7/28/2006	5,981
EUR	420,000	USD	539,700	7/28/2006	1,378
GBP	290,000	EUR	424,181	7/28/2006	1,854
CAD	610,000	EUR	433,139	7/28/2006	1,026
PLN	3,300,000	EUR	837,109	7/28/2006	1,565
EUR	410,000	GBP	282,996	7/28/2006	4,377
NOK	3,300,000	EUR	420,788	7/28/2006	6,846
GBP	289,576	EUR	422,000	7/28/2006	9,904
GBP	290,000	EUR	424,181	7/28/2006	5,216
HUF	110,000,000	EUR	411,831	7/28/2006	32,267
USD	538,379	JPY	61,600,000	7/28/2006	2,249
JPY	60,475,976	SGD	844,000	7/28/2006	4,040
JPY	60,000,000	USD	547,963	7/28/2006	21,377
JPY	59,000,000	USD	541,533	7/28/2006	23,723
JPY	59,000,000	USD	539,991	7/28/2006	22,182
JPY	62,000,000	USD	555,926	7/28/2006	11,787
USD	180	MXN	155,000	7/28/2006	180
USD	7,975	MXN	91,200	7/28/2006	53
USD	174,133	MXN	1,990,000	7/28/2006	1,056
MXN	3,330,000	USD	299,106	7/28/2006	5,952
MXN	22,945,000	USD	2,042,733	7/28/2006	22,788
MXN	2,100,000	USD	192,162	7/28/2006	7,290
MXN	1,700,000	USD	154,152	7/28/2006	4,494
MXN	1,780,000	USD	159,021	7/28/2006	2,320
NOK	3,300,000	EUR	420,788	7/28/2006	1,234
EUR	415,899	NOK	3,300,000	7/28/2006	9,773
PLN	1,600,000	EUR	412,382	7/28/2006	25,585
PLN	3,300,000	EUR	837,109	7/28/2006	31,755
EUR	817,692	PLN	3,330,000	7/28/2006	20,386
USD	2,265,420	SEK	16,840,000	7/28/2006	80,503
USD	326,899	SEK	2,360,000	7/28/2006	1,866
SEK	3,800,000	EUR	412,752	7/28/2006	3,560
SEK	3,800,000	USD	529,946	7/28/2006	581
USD	91,646	TRY	150,000	7/28/2006	1,934
TRY	300,000	USD	221,963	7/28/2006	34,803
Total net unrealized appreciation					**478,457**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized (Depreciation) ($)
USD	119,982	BRL	260,000	7/28/2006	(120)
USD	1,085,442	CAD	1,200,000	7/28/2006	(9,500)
CAD	1,180,000	USD	1,050,476	7/28/2006	(7,534)

The accompanying notes are an integral part of the financial statements.

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized (Depreciation) ($)
CAD	1,200,000	USD	1,075,452	7/28/2006	(490)
USD	1,112,762	CNY	8,810,000	7/28/2006	(7,177)
EUR	420,000	USD	523,916	7/28/2006	(14,406)
EUR	831,497	CAD	1,170,000	7/28/2006	(31,949)
EUR	436,326	JPY	62,200,000	7/28/2006	(10,117)
HUF	110,000,000	EUR	411,831	7/28/2006	(1,083)
PLN	1,600,000	EUR	412,382	7/28/2006	(1,085)
SEK	3,900,000	EUR	415,943	7/28/2006	(4,671)
EUR	396,295	PLN	1,570,000	7/28/2006	(3,853)
EUR	412,557	HUF	110,000,000	7/28/2006	(2,359)
SEK	3,800,000	EUR	412,752	7/28/2006	(3,893)
EUR	415,899	NOK	3,300,000	7/28/2006	(11,587)
EUR	817,692	PLN	3,330,000	7/28/2006	(19,368)
GBP	610,000	USD	1,090,024	7/28/2006	(38,711)
EUR	410,000	GBP	282,996	7/28/2006	(6,230)
GBP	289,576	EUR	422,000	7/28/2006	(4,847)
EUR	412,557	HUF	110,000,000	7/28/2006	(29,755)
IDR	1,500,000,000	USD	160,342	7/28/2006	(1,593)
USD	2,257,860	JPY	256,170,000	7/28/2006	(9,601)
USD	546,248	JPY	59,800,000	7/28/2006	(21,418)
USD	549,381	JPY	60,500,000	7/28/2006	(18,407)
EUR	436,326	JPY	62,200,000	7/28/2006	(3,236)
JPY	120,000,000	USD	1,042,418	7/28/2006	(10,754)
USD	15,354	MXN	171,000	7/28/2006	(300)
USD	162,179	MXN	1,825,000	7/28/2006	(1,516)
USD	973,193	MXN	11,000,000	7/28/2006	(4,816)
USD	18,471	MXN	208,000	7/28/2006	(160)
EUR	396,295	PLN	1,570,000	7/28/2006	(9,480)
SEK	3,900,000	EUR	415,943	7/28/2006	(5,502)
SGD	860,000	USD	543,616	7/28/2006	(459)
JPY	60,475,976	SGD	844,000	7/28/2006	(851)
USD	2,977	TRY	4,000	7/28/2006	(482)
USD	5,537	TRY	8,680	7/28/2006	(122)
USD	119,987	TRY	187,000	7/28/2006	(3,325)
TRY	170,000	USD	104,442	7/28/2006	(1,615)
Total net unrealized depreciation					**(302,372)**

Currency Abbreviations

ARS	Argentine Peso	GBP	British Pound	MYR	Malaysian Ringgit	SEK	Swedish Krona
BRL	Brazilian Real	HUF	Hungarian Forint	NOK	Norwegian Krone	SGD	Singapore Dollar
CAD	Canadian Dollars	IDR	Indonesian Rupiah	PEN	Peruvian Nouveau Sol	TRY	New Turkish Lira
CNY	Chinese Yuan Renminbi	JPY	Japanese Yen	PLN	Polish Zloty	USD	US Dollars
EUR	Euro	MXN	Mexican Peso	RUB	Russian Ruble		

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $212,525,835), including $30,941,093 of securities loaned	$	206,695,756
Investment in Daily Assets Fund Institutional (cost $31,410,769)*		31,410,769
Investment in Cash Management QP Trust (cost $5,322,785)		5,322,785
Total investments in securities, at value (cost $249,259,389)		243,429,310
Cash		957,348
Foreign currency, at value (cost $65,632)		65,486
Receivable for investments sold		990,107
Interest receivable		1,768,128
Receivable for Portfolio shares sold		29,323
Unrealized appreciation on forward foreign currency exchange contracts		478,457
Other assets		1,700
Total assets		247,719,859
Liabilities		
Payable for Portfolio shares redeemed		54,530
Payable for investments purchased		3,182,435
Payable for investments purchased — mortgage dollar rolls		914,616
Payable upon return of securities loaned		31,410,769
Unrealized depreciation on forward foreign currency exchange contracts		302,372
Accrued management fee		7,836
Accrued distribution service fees (Class B)		207
Net payable on closed forward foreign exchange contracts		28,514
Other accrued expenses and payables		107,809
Total liabilities		36,009,088
Net assets, at value	**$**	**211,710,771**
Net Assets		
Net assets consist of:		
Undistributed net investment income		4,924,830
Net unrealized appreciation (depreciation) on:		
Investments		(5,830,079)
Foreign currency related transactions		144,788
Accumulated net realized gain (loss)		(1,923,195)
Paid-in capital		214,394,427
Net assets, at value	**$**	**211,710,771**
Class A		
Net Asset Value, offering and redemption price per share ($210,602,991 ÷ 31,529,842 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.68**
Class B		
Net Asset Value, offering and redemption price per share ($1,107,780 ÷ 166,017 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.67**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Interest (net of foreign taxes withheld of $1,813)	$	5,435,000
Interest — Cash Management QP Trust		150,583
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		17,817
Dividends		5,896
Total Income		5,609,296
Expenses:		
Management fee		485,129
Administration fees		17,472
Custodian and accounting fees		79,027
Distribution service fees (Class B)		990
Record keeping fees (Class B)		547
Auditing		17,484
Legal		10,675
Trustees' fees and expenses		3,571
Reports to shareholders		78,966
Pricing service fee		43,860
Other		3,857
Total expenses before expense reductions		741,578
Expense reductions		(59,706)
Total expenses after expense reductions		681,872
Net investment income		**4,927,424**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(1,834,056)
Foreign currency related transactions		163,817
		(1,670,239)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(4,469,569)
Foreign currency related transactions		130,034
		(4,339,535)
Net gain (loss) on investment transactions		**(6,009,774)**
Net increase (decrease) in net assets resulting from operations	**$**	**(1,082,350)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income	$ 4,927,424	$ 7,479,327
Net realized gain (loss) on investment transactions	(1,670,239)	(119,069)
Net unrealized appreciation (depreciation) during the period on investment transactions	(4,339,535)	(2,521,110)
Net increase (decrease) in net assets resulting from operations	(1,082,350)	4,839,148
Distributions to shareholders from:		
Net investment income:		
Class A	(7,979,436)	(6,383,141)
Class B	(26,938)	—
Net realized gains:		
Class A	(254,695)	(1,627,075)
Class B	(953)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	24,679,956	52,731,670
Reinvestment of distributions	8,234,131	8,010,216
Cost of shares redeemed	(21,905,661)	(25,921,871)
Net increase (decrease) in net assets from Class A share transactions	11,008,426	34,820,015
Class B		
Proceeds from shares sold	699,740	473,041*
Reinvestment of distributions	27,891	—
Cost of shares redeemed	(45,652)	(15,935)*
Net increase (decrease) in net assets from Class B share transactions	681,979	457,106*
Increase (decrease) in net assets	2,346,033	32,106,053
Net assets at beginning of period	209,364,738	177,258,685
Net assets at end of period (including undistributed net investment income of $4,924,830 and $8,003,780, respectively)	**$ 211,710,771**	**$ 209,364,738**

Other Information		
Class A		
Shares outstanding at beginning of period	29,892,841	24,873,210
Shares sold	3,620,053	7,554,171
Shares issued to shareholders in reinvestment of distributions	1,234,502	1,165,970
Shares redeemed	(3,217,554)	(3,700,510)
Net increase (decrease) in Class A shares	1,637,001	5,019,631
Shares outstanding at end of period	**31,529,842**	**29,892,841**
Class B		
Shares outstanding at beginning of period	66,058	—
Shares sold	102,389	68,350*
Shares issued to shareholders in reinvestment of distributions	4,182	—
Shares redeemed	(6,612)	(2,292)*
Net increase (decrease) in Class B shares	99,959	66,058*
Shares outstanding at end of period	**166,017**	**66,058**

* *For the period May 2, 2005 (commencement of operations of Class B shares) to December 31, 2005.*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.99**	**$ 7.13**	**$ 7.04**	**$ 6.98**	**$ 6.89**	**$ 6.78**
Income (loss) from investment operations:						
Net investment income[c]	.16	.29	.29	.26	.34	.38
Net realized and unrealized gain (loss) on investment transactions	(.19)	(.10)	.08	.09	.17	.00
Total from investment operations	(.03)	.19	.37	.35	.51	.38
Less distributions from:						
Net investment income	(.27)	(.26)	(.28)	(.29)	(.42)	(.27)
Net realized gain on investment transactions	(.01)	(.07)	—	—	—	—
Total distributions	(.28)	(.33)	(.28)	(.29)	(.42)	(.27)
Net asset value, end of period	**$ 6.68**	**$ 6.99**	**$ 7.13**	**$ 7.04**	**$ 6.98**	**$ 6.89**
Total Return (%)	(.50)[f]**	2.60	5.38	5.06	7.66	5.75
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	211	209	177	176	165	182
Ratio of expenses before expense reductions (%)	.70*	.68	.60	.58	.55	.58[d]
Ratio of expenses after expense reductions (%)	.64*	.68	.60	.58	.55	.57[d]
Ratio of net investment income (%)	4.69*	4.11	4.18	3.78	5.03	5.47
Portfolio turnover rate (%)	212[e]*	187[e]	223[e]	242[e]	262[e]	169[e]

a For the six months ended June 30, 2006 (Unaudited).
b As required, effective January 1, 2001, the Portfolio adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.
c Based on average shares outstanding during the period.
d The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .57% and .57%, respectively.
e The portfolio turnover rate including mortgage dollar roll transactions was 219%, 197%, 245%, 286%, 276% and 193% for the periods ended June 30, 2006, December 31, 2005, December 31, 2004, December 31, 2003, December 31, 2002 and December 31, 2001, respectively.
f Total return would have been lower had certain expenses not been reduced.
* Annualized ** Not annualized

Class B

	2006[a]	2005[b]
Selected Per Share Data		
Net asset value, beginning of period	**$ 6.97**	**$ 6.88**
Income (loss) from investment operations:		
Net investment income[c]	.15	.18
Net realized and unrealized gain (loss) on investment transactions	(.20)	(.09)
Total from investment operations	(.05)	.09
Less distributions from:		
Net investment income	(.24)	—
Net realized gain on investment transactions	(.01)	—
Total distributions	(.25)	—
Net asset value, end of period	**$ 6.67**	**$ 6.97**
Total Return (%)	(.73)[e]**	1.31**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period ($ millions)	1	.5
Ratio of expenses, before expense reductions (%)	1.09*	1.04*
Ratio of expenses, after expense reductions (%)	1.01*	1.04*
Ratio of net investment income (%)	4.32*	3.86*
Portfolio turnover rate (%)	212[d]*	187[d]

a For the six months ended June 30, 2006 (Unaudited).
b For the period May 2, 2005 (commencement of operations of Class B shares) to December 31, 2005.
c Based on average shares outstanding during the period.
d The portfolio turnover rate including mortgage dollar roll transactions was 219% and 197% for the periods ended June 30, 2006 and December 31, 2005, respectively.
e Total return would have been lower had certain expenses not been reduced.
* Annualized ** Not annualized

Notes to Financial Statements (Unaudited)

A. Significant Accounting Policies

DWS Variable Series I (the "Series") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, registered management investment company organized as a Massachusetts business trust. The Series consists of seven diversified portfolios: Money Market VIP, DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios"). The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Series offers one class of shares for the Money Market VIP and two classes of shares (Class A shares and Class B shares) for each of the other Portfolios. Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fee and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Series' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Series in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Series. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Series may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange.

Securities Lending. The Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to an Exemptive Order issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Foreign Currency Translations. The books and records of the Portfolio are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The Portfolio may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Repurchase Agreements. The Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodial bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolio has the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolio's claims on the collateral may be subject to legal proceedings.

Mortgage Dollar Rolls. The Portfolio may enter into mortgage dollar rolls in which the Portfolio sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities at an agreed upon price. During the period between the sale and repurchase, the Portfolio will not be entitled to earn interest and receive principal payment on securities sold. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase or, alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of the securities sold by the Portfolio may decline below the repurchase price of those securities.

At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

When-Issued/Delayed Delivery Securities. The Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time a Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Loan Participations/Assignments. The Portfolio may invest in US dollar-denominated fixed and floating rate loans ("Loans") arranged through private negotiations between a foreign sovereign entity and one or more financial institutions ("Lenders"). The Portfolio invests in such Loans in the form of participations in Loans ("Participations") or assignments of all or a portion of loans from third parties ("Assignments"). Participations typically result in the Portfolio having a contractual relationship only with the Lender, not with the sovereign borrower. The Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In connection with purchasing Participations, the Portfolio generally has no right to enforce compliance by the borrower with the terms of the loan agreement relating to the Loan, nor any rights of set-off against the borrower, and the Portfolio will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Portfolio assumes the credit risk of both the borrower and the Lender that is selling the Participation.

Federal Income Taxes. The Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares. Accordingly, the Portfolio paid no federal income taxes and no federal income tax provision was required.

Additionally, based on the Series' understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which the Portfolio invests, the Series will provide for foreign taxes, and where appropriate, deferred foreign taxes.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for the Portfolio a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether the Portfolio is taxable in certain jurisdictions), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006. Management will begin to evaluate the application of the Interpretation to the Portfolio and is not in a position at this time to estimate the significance of its impact, if any, on the Portfolio's financial statements.

From November 1, 2005 through December 31, 2005, DWS Bond VIP incurred approximately $31,400 of net realized currency losses. In addition, DWS Bond VIP incurred approximately $152,900 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2006.

Distribution of Income and Gains. The Portfolio will declare and distribute dividends from its net investment income, if any, annually, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in forward foreign currency exchange contracts, post October loss deferrals and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions, if any, will be determined at the end of the fiscal year.

Contingencies. In the normal course of business, the Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet been made. However, based on experience, the Portfolio expects the risk of loss to be remote.

Expenses. Expenses of the Series arising in connection with a specific Portfolio are allocated to that Portfolio. Other Series expenses which cannot be directly attributed to a Portfolio are apportioned among the Portfolios in the Series.

Other. Portfolio investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Purchases and Sales of Securities

During the six months ended June 30, 2006, purchases and sales of investment securities (excluding short-term investments) were as follows:

	Purchases ($)	Sales ($)
DWS Bond VIP		
excluding US Treasury Obligations and mortgage dollar roll transactions	110,312,350	207,579,060
US Treasury Obligations	121,676,403	4,058,664
mortgage dollar roll transactions	6,564,807	7,164,989

C. Related Parties

Under the Amended and Restated Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolio in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolio.

Prior to June 1, 2006, in addition to the portfolio management services, the Advisor provided certain administrative services in accordance with the Management Agreement. For the period January 1, 2006 through May 31, 2006, the Portfolio paid a monthly investment management fee, based on the average net assets of the Portfolio, accrued daily and payable monthly, at the annual rate shown below:

	Annual Management Fee Rate
DWS Bond VIP	.475%

Effective June 1, 2006, under the Amended and Restated Management Agreement with the Advisor, the Portfolio pays a monthly investment management fee, based on the average daily net assets of the Portfolio, accrued daily and payable monthly, at the annual rate shown below:

	Annual Management Fee Rate
DWS Bond VIP	
first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%

Aberdeen Asset Management Inc., a direct, wholly owned subsidiary of Aberdeen Asset Management PLC, serves as subadvisor to DWS Bond VIP and is paid by the Advisor for its services.

The Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period January 1, 2006 to May 31, 2006 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

	Annualized Rate
DWS Bond VIP Class A	.71%

In addition, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period June 1, 2006 to September 30, 2006 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

	Annualized Rate
DWS Bond VIP Class A	.58%

Accordingly, for the six months ended June 30, 2006, the Portfolio waived a portion of its management fees as follows:

	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Bond VIP	485,129	57,157	.41%

In addition, for the six months ended June 30, 2006, the Portfolio waived other expenses as follows:

	Other Expenses Waived ($)
DWS Bond VIP Class B	109

Administrative Services Fee. Effective June 1, 2006, the Series entered into a Administrative Services Agreement with the Advisor, pursuant to which the Advisor provides most administrative services to the Series. For all services provided under the Administrative Services Agreement, the Portfolio pays the Advisor a fee of 0.10% of the Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the period June 1, 2006 to June 30, 2006, the amount charged to the Portfolio by the Advisor was as follows:

	Total Aggregated ($)	Unpaid at June 30, 2006 ($)
DWS Bond VIP	17,472	17,472

Service Provider Fees. DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the portfolio. In turn, DWS-SFAC has delegated certain fund accounting functions to a third-party service provider. Effective June 1, 2006, these fees are now paid under the Administrative Services Agreement. For the period from January 1, 2006 to May 31, 2006, DWS-SFAC received the following fee for its services:

	Total Aggregated ($)	Unpaid at June 30, 2006 ($)
DWS Bond VIP	63,430	—

DWS Scudder Investments Service Company, an affiliate of the Advisor, is the transfer agent and dividend-paying agent of the Series. These affiliated entities have in turn entered into various agreements with third-party service providers to provide these services.

DWS Scudder Distributors, Inc. ("DWS-SDI"), also an affiliate of the Advisor, is the Series' Distributor. In accordance with the Master Distribution Plan, DWS-SDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, DWS-SDI remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. These fees are detailed in the Portfolio's Statement of Operations.

Typesetting and Filing Service Fees. Under an agreement with DeIM, the Advisor is compensated for providing typesetting and certain regulatory filing services to the Portfolio. For the six months ended June 30, 2006, the amount charged to the Portfolio by DeIM included in reports to shareholders were as follows:

	Amount ($)	Unpaid at June 30, 2006 ($)
DWS Bond VIP	3,485	1,817

Trustees' Fees and Expenses. As compensation for his or her services, each Independent Trustee receives an aggregated annual fee, plus a fee for each meeting attended (plus reimbursement for reasonable out-of-pocket expenses incurred in connection with his or her attendance at board and committee meetings) from each fund in the Fund Complex for which he or she serves. In addition, the Chairman of the Board and the Chairman of each committee of the Board receive additional compensation for their services. Payment of such fees and expenses is allocated among all such funds described above in direct proportion to their relative net assets.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Series may invest in the Cash Management QP Trust (the "QP Trust"), and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, delayed settlements and their prices more volatile than those of comparable securities in the United States of America.

E. Expense Reductions

For the six months ended June 30, 2006, the Advisor agreed to reimburse the Portfolio a portion of the fee savings expected to be realized by the Advisor related to the outsourcing by the Advisor of certain administrative services to an unaffiliated service provider as follows:

	Amount ($)
DWS Bond VIP	1,919

In addition, DWS Bond VIP entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Portfolio's expenses. During the six months ended June 30, 2006, the custodian fees were reduced as follows:

	Custody Credits ($)
DWS Bond VIP	521

F. Ownership of the Portfolio

At the end of the period, the beneficial ownership in the Portfolio was as follows:

DWS Bond VIP: One participating insurance company was owner of record of 10% or more of the total outstanding Class A shares of the Portfolio, owning 66%. Two participating insurance companies were owners of record each owning 79% and 21% of the total outstanding Class B shares of the Portfolio.

G. Line of Credit

The Series and several other affiliated funds (the "Participants") share in a $750 million revolving credit facility administered by JPMorgan Chase Bank N.A. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. The Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

H. Regulatory Matters and Litigation

Market Timing Related Regulatory and Litigation Matters. Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors.

With respect to the lawsuits, based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the funds as follows:

> DeAM expects to reach final agreements with regulators in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or

materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.

Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999–2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants.

Other Regulatory Matters. DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001–2003 with respect to directing brokerage commissions for portfolio transactions by certain DWS funds to broker-dealers that sold shares in the DWS funds and provided enhanced marketing and distribution for shares in the DWS funds. In addition, DWS Scudder Distributors, Inc. is in settlement discussions with the Enforcement Staff of the NASD regarding DWS Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as DWS Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons.

I. Payments Made by Affiliates

During the six months ended June 30, 2006, the Advisor fully reimbursed DWS Bond VIP $358 for losses incurred on trades executed incorrectly. The amount of the losses were less than .01% of the Portfolio's average net assets, thus having no impact on the Portfolio's total return.

Other Information

Additional information announced by Deutsche Asset Management regarding the terms of the expected settlements referred to in the Market Timing Related Regulatory and Litigation Matters and Other Regulatory Matters in the Notes to Financial Statements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Proxy Voting

A description of the Series' policies and procedures for voting proxies for portfolio securities and information about how the Series voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Series' policies and procedures without charge, upon request, call us toll free at 1-800-621-1048.

Shareholder Meeting Results

A Special Meeting of shareholders (the "Meeting") of DWS Variable Series I (the "Fund") was held on May 5, 2006, at the offices of Deutsche Asset Management, 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted upon by the shareholders (the resulting votes are presented below).

I. Election of Trustees. ("Number of Votes" represents all Portfolios that are series of DWS Variable Series I.)

	Number of Votes:	
	For	Withheld
Henry P. Becton, Jr.	246,243,890.613	11,464,054.207
Dawn-Marie Driscoll	246,784,885.647	10,923,059.173
Keith R. Fox	246,426,733.548	11,281,211.272
Kenneth C. Froewiss	246,098,780.117	11,609,164.703
Martin J. Gruber	244,123,986.271	13,583,958.549
Richard J. Herring	246,331,840.162	11,376,104.658
Graham E. Jones	244,423,720.630	13,284,224.190
Rebecca W. Rimel	246,950,363.208	10,757,581.612
Philip Saunders, Jr.	246,296,885.694	11,411,059.126
William N. Searcy, Jr.	244,528,912.271	13,179,032.549
Jean Gleason Stromberg	246,942,188.670	10,765,756.150
Carl W. Vogt	246,268,998.229	11,438,946.591
Axel Schwarzer	244,613,655.081	13,094,289.739

II-A. Approval of an Amended and Restated Investment Management Agreement with Deutsche Asset Management, Inc. for DWS Bond VIP.

	Number of Votes:	
Affirmative	Against	Abstain
26,910,602.113	539,567.823	3,021,503.385

II-B. Approval of a Subadvisor Approval Policy for DWS Bond VIP.

	Number of Votes:	
Affirmative	Against	Abstain
26,847,957.037	576,650.823	3,047,065.461

III-A. Approval of a Revised Fundamental Investment Restriction Regarding Commodities for DWS Bond VIP.

	Number of Votes:	
Affirmative	Against	Abstain
26,718,874.774	675,540.870	3,077,257.677

IV-A. Approval of Amended and Restated Declaration of Trust. ("Number of Votes" represents all Portfolios that are series of DWS Variable Series I.)

	Number of Votes:	
Affirmative	Against	Abstain
232,752,692.416	9,997,994.492	14,957,257.912

IV-B. Approval of Future Amendments to the Amended and Restated Declaration of Trust. ("Number of Votes" represents all Portfolios that are series of DWS Variable Series I.)

	Number of Votes:	
Affirmative	Against	Abstain
225,679,292.912	11,507,795.894	20,520,856.014

About the Portfolio's Advisor

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

DWS Scudder Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

VS1bond-3 (8/06)

DWS SCUDDER
Deutsche Bank Group

JUNE 30, 2006

SEMIANNUAL REPORT

DWS VARIABLE SERIES I

DWS Growth & Income VIP

DWS Capital Growth VIP

DWS Global Opportunities VIP

DWS International VIP

DWS Health Care VIP

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER

Deutsche Bank Group

Contents

Information About Your Portfolio's Expenses, Management Summary, Portfolio Summary, Investment Portfolio, Financial Statements and Financial Highlights for:

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus, call (800) 778-1482 or your financial representative. We advise you to consider the product's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the investment product. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

Information About Your Portfolio's Expenses

DWS Growth & Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,000.20	$ 997.70
Expenses Paid per $1,000*	$ 2.68	$ 4.41

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,022.12	$1,020.38
Expenses Paid per $1,000*	$ 2.71	$ 4.46

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Growth & Income VIP	.54%	.89%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Growth & Income VIP

The broad equity market, as measured by the S&P 500 Index, had a return of 2.71% for the six-month period ended June 30, 2006. Value stocks, measured by the Russell 1000 Value Index, performed much better than growth stocks, measured by the Russell 1000 Growth Index, which had a negative return for the six-month period. With a return of 0.02% (Class A shares, unadjusted for contract charges), the portfolio underperformed its benchmark, the S&P 500 Index, for the six-month period.

Since sector weights of this portfolio are maintained quite close to those of the S&P 500 Index, essentially all differences in return between the Portfolio and the index result from stock selection. Stock selection in the information technology sector, which was the worst performing of the 10 sectors in the index, was a major cause of underperformance, particularly large positions in eBay, Inc. and QUALCOMM, Inc. The health care sector also hurt performance, particularly one of the largest holdings, UnitedHealth Group, Inc. In the industrials sector, a big detractor was an overweight in Tyco International Ltd.

The best performance was in the financials sector, where an emphasis on capital markets holdings was balanced by an underweight in insurance. The Goldman Sachs Group Inc., Morgan Stanley and Wells Fargo & Co. were positions that added significantly to performance. Other overweighted stocks that helped performance were Hess Corp. in the energy group and aircraft manufacturer Boeing Co.

Although this portfolio's performance for the first half of 2006 was disappointing, we believe that our rigorous stock selection process, which combines quantitative analysis with qualitative research and the judgment of capable analysts and portfolio managers, may help us to generate strong risk-adjusted returns over time.

Theresa Gusman
Lead Portfolio Manager

Sal Bruno
Gregory Y. Sivin, CFA
Portfolio Managers

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific information regarding its investments and risk profile.

The Standard & Poor's (S&P) 500 Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Growth & Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	98%	99%
Cash Equivalents	1%	1%
Exchange Traded Fund	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Financials	21%	21%
Information Technology	15%	15%
Health Care	13%	13%
Industrials	12%	12%
Consumer Discretionary	10%	11%
Energy	10%	9%
Consumer Staples	10%	10%
Utilities	3%	3%
Telecommunication Services	3%	3%
Materials	3%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 6. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Growth & Income VIP

	Shares	Value ($)
Common Stocks 98.0%		
Consumer Discretionary 10.1%		
Automobiles 0.8%		
Toyota Motor Corp. (ADR)	25,330	**2,649,265**
Hotels Restaurants & Leisure 2.0%		
McDonald's Corp.	117,040	3,932,544
Starwood Hotels & Resorts Worldwide, Inc.	36,920	2,227,753
		6,160,297
Household Durables 1.1%		
Black & Decker Corp.	41,290	**3,487,353**
Media 2.5%		
Comcast Corp. "A"*	34,550	1,131,167
News Corp. "A"	139,250	2,670,815
Omnicom Group, Inc.	14,620	1,302,496
Time Warner, Inc.	72,330	1,251,309
Walt Disney Co.	48,160	1,444,800
		7,800,587
Multiline Retail 1.8%		
Federated Department Stores, Inc.	56,510	2,068,266
J.C. Penney Co., Inc.	52,920	3,572,629
		5,640,895
Specialty Retail 0.7%		
Staples, Inc.	91,345	**2,221,510**
Textiles, Apparel & Luxury Goods 1.2%		
Coach, Inc.*	68,040	2,034,396
Polo Ralph Lauren Corp.	32,500	1,784,250
		3,818,646
Consumer Staples 9.5%		
Beverages 4.0%		
Coca-Cola Co.	108,090	4,650,032
PepsiCo, Inc.	130,150	7,814,206
		12,464,238
Food Products 0.6%		
Kellogg Co.	37,180	**1,800,628**
Household Products 3.3%		
Procter & Gamble Co.	188,350	**10,472,260**
Tobacco 1.6%		
Altria Group, Inc.	68,010	**4,993,974**
Energy 9.6%		
Energy Equipment & Services 1.8%		
Cameron International Corp.*	54,600	2,608,242
Schlumberger Ltd.	45,460	2,959,900
		5,568,142
Oil, Gas & Consumable Fuels 7.8%		
ExxonMobil Corp.	172,884	10,606,433
Hess Corp.	69,350	3,665,148
Marathon Oil Corp.	7,600	633,080
Occidental Petroleum Corp.	46,230	4,740,887
Talisman Energy, Inc.	93,580	1,635,778
Valero Energy Corp.	48,300	3,212,916
		24,494,242

	Shares	Value ($)
Financials 21.0%		
Capital Markets 14.0%		
Bank of New York Co., Inc.	194,730	6,270,306
Lehman Brothers Holdings, Inc.	108,560	7,072,684
Mellon Financial Corp.	83,670	2,880,758
Merrill Lynch & Co., Inc.	113,650	7,905,494
Morgan Stanley	113,080	7,147,787
The Goldman Sachs Group, Inc.	53,780	8,090,126
UBS AG	40,330	4,424,201
		43,791,356
Commercial Banks 3.9%		
Unibanco — Uniao de Bancos Brasileiros SA (ADR)	25,260	1,677,011
Wachovia Corp.	63,470	3,432,458
Wells Fargo & Co.	105,890	7,103,101
		12,212,570
Diversified Financial Services 1.9%		
Bank of America Corp.	124,250	**5,976,425**
Insurance 1.2%		
MetLife, Inc.	75,500	**3,866,355**
Health Care 12.3%		
Biotechnology 0.7%		
Amgen, Inc.*	36,030	**2,350,237**
Health Care Equipment & Supplies 3.1%		
Baxter International, Inc.	159,720	5,871,307
C.R. Bard, Inc.	51,180	3,749,447
		9,620,754
Health Care Providers & Services 3.5%		
Cardinal Health, Inc.	40,560	2,609,225
Caremark Rx, Inc.*	32,680	1,629,752
UnitedHealth Group, Inc.	94,370	4,225,888
WellPoint, Inc.*	35,770	2,602,983
		11,067,848
Life Sciences Tools & Services 0.5%		
Fisher Scientific International, Inc.*	22,444	**1,639,534**
Pharmaceuticals 4.5%		
Abbott Laboratories	103,640	4,519,740
AstraZeneca PLC (ADR)	18,110	1,083,340
Johnson & Johnson	58,700	3,517,304
Novartis AG (ADR)	91,530	4,935,298
		14,055,682
Industrials 11.4%		
Aerospace & Defense 3.1%		
Boeing Co.	60,870	4,985,861
United Technologies Corp.	72,390	4,590,974
		9,576,835
Electrical Equipment 1.1%		
Emerson Electric Co.	39,680	**3,325,581**
Industrial Conglomerates 6.0%		
General Electric Co.	368,490	12,145,430
Tyco International Ltd.	241,340	6,636,850
		18,782,280

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Machinery 0.9%		
PACCAR, Inc.	36,020	**2,967,328**
Road & Rail 0.3%		
Canadian National Railway Co.	22,340	**977,375**
Information Technology 14.8%		
Communications Equipment 4.0%		
Cisco Systems, Inc.*	269,420	5,261,773
Motorola, Inc.	126,550	2,549,982
QUALCOMM, Inc.	118,770	4,759,114
		12,570,869
Computers & Peripherals 1.3%		
Apple Computer, Inc.*	24,030	1,372,594
International Business Machines Corp.	33,970	2,609,575
		3,982,169
Internet Software & Services 2.7%		
eBay, Inc.*	156,200	4,575,098
Google, Inc. "A"*	9,030	3,786,550
		8,361,648
IT Services 1.6%		
Automatic Data Processing, Inc.	108,040	**4,899,614**
Semiconductors & Semiconductor Equipment 2.2%		
Applied Materials, Inc.	156,900	2,554,332
ASML Holding NV (NY Shares) (Registered)*	143,530	2,902,177
Maxim Integrated Products, Inc.	50,910	1,634,720
		7,091,229
Software 3.0%		
Adobe Systems, Inc.*	92,180	2,798,585
Electronic Arts, Inc.*	21,660	932,246
Microsoft Corp.	244,050	5,686,365
		9,417,196
Materials 2.9%		
Chemicals 0.8%		
Dow Chemical Co.	65,840	**2,569,735**
Metals & Mining 1.6%		
Alcan, Inc.	30,390	1,426,507
Companhia Vale do Rio Doce (ADR)	103,000	2,476,120
Mittal Steel Co. NV "A" (NY Shares) (Registered) (a)	41,440	1,264,334
		5,166,961

	Shares	Value ($)
Paper & Forest Products 0.5%		
Weyerhaeuser Co.	22,960	**1,429,260**
Telecommunication Services 3.1%		
Diversified Telecommunication Services 1.6%		
AT&T, Inc.	178,500	**4,978,365**
Wireless Telecommunication Services 1.5%		
American Tower Corp. "A"*	49,850	1,551,332
Sprint Nextel Corp.	157,280	3,144,027
		4,695,359
Utilities 3.3%		
Electric Utilities 2.3%		
Allegheny Energy, Inc.*	70,470	2,612,323
Exelon Corp.	49,070	2,788,648
FPL Group, Inc.	44,880	1,857,135
		7,258,106
Independent Power Producers & Energy Traders 1.0%		
TXU Corp.	50,960	**3,046,898**
Total Common Stocks (Cost $285,863,284)		**307,249,606**

Exchange Traded Fund 1.4%

	Shares	Value ($)
SPDR Trust Series 1 (a) (Cost $4,289,026)	33,200	**4,225,696**

Securities Lending Collateral 1.0%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $3,240,600)	3,240,600	**3,240,600**

Cash Equivalents 1.0%

	Shares	Value ($)
Cash Management QP Trust, 5.07% (d) (Cost $3,074,557)	3,074,557	**3,074,557**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $296,467,467)†	101.4	**317,790,459**
Other Assets and Liabilities, Net	(1.4)	**(4,293,078)**
Net Assets	100.0	**313,497,381**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $297,859,939. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $19,930,520. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $29,688,463 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $9,757,943.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $3,170,736 which is 1.0% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

As of June 30, 2006 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $290,152,310), including $3,170,736 of securities loaned	$ 311,475,302
Investment in Daily Assets Fund Institutional (cost $3,240,600)	3,240,600
Investment in Cash Management QP Trust (cost $3,074,557)	3,074,557
Total investments in securities, at value (cost $296,467,467)	317,790,459
Cash	22,151
Foreign currency at value (cost $2,729)	2,717
Receivable for Portfolio shares sold	101,917
Receivable for investments sold	1,035,549
Dividends receivable	341,865
Interest receivable	12,260
Foreign taxes recoverable	23,336
Other assets	4,423
Total assets	319,334,677

Liabilities	
Payable for Portfolio shares redeemed	94,993
Payable for investments purchased	2,311,838
Payable upon return of securities loaned	3,240,600
Accrued management fee	84,619
Accrued distribution service fees (Class B)	8,968
Other accrued expenses and payables	96,278
Total liabilities	5,837,296
Net assets, at value	**$ 313,497,381**

Net Assets	
Net assets consist of:	
Undistributed net investment income	1,446,630
Net unrealized appreciation (depreciation) on:	
Investments	21,322,992
Foreign currency related transactions	(86)
Accumulated net realized gain (loss)	(21,308,238)
Paid-in capital	312,036,083
Net assets, at value	**$ 313,497,381**
Class A	
Net Asset Value, offering and redemption price per share ($268,025,250 ÷ 27,843,423 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 9.63**
Class B	
Net Asset Value, offering and redemption price per share ($45,472,131 ÷ 4,735,571 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 9.60**

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $23,514)	$ 2,524,591
Interest — Cash Management QP Trust	45,896
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	10,987
Total Income	2,581,474
Expenses:	
Management fee	740,073
Administration fees	25,528
Custodian and accounting fees	50,889
Distribution service fees (Class B)	58,572
Record keeping fees (Class B)	28,757
Auditing	19,162
Legal	34,473
Trustees' fees and expenses	6,195
Reports to shareholders	29,794
Other	16,865
Total expenses before expense reductions	1,010,308
Expense reductions	(50,169)
Total expenses after expense reductions	960,139
Net investment income (loss)	**1,621,335**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	11,113,561
Written options	179,316
	11,292,877
Net unrealized appreciation (depreciation) during the period on:	
Investments	(12,599,734)
Foreign currency related transactions	(86)
	(12,599,820)
Net gain (loss) on investment transactions	**(1,306,943)**
Net increase (decrease) in net assets resulting from operations	**$ 314,392**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 1,621,335	$ 2,961,943
Net realized gain (loss) on investment transactions	11,292,877	23,989,845
Net unrealized appreciation (depreciation) during the period on investment transactions	(12,599,820)	(2,140,631)
Net increase (decrease) in net assets resulting from operations	314,392	24,811,157
Distributions to shareholders from:		
Net investment income:		
Class A	(2,664,327)	(2,208,887)
Class B	(286,921)	(336,934)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,730,662	45,563,045
Net assets acquired in tax-free reorganization	—	99,119,857
Reinvestment of distributions	2,664,327	2,208,887
Cost of shares redeemed	(36,416,251)	(43,761,424)
Net increase (decrease) in net assets from Class A share transactions	(24,021,262)	103,130,365
Class B		
Proceeds from shares sold	2,146,620	16,893,009
Net assets acquired in tax-free reorganization	—	10,376,860
Reinvestment of distributions	286,921	336,934
Cost of shares redeemed	(3,870,881)	(16,154,081)
Net increase (decrease) in net assets from Class B share transactions	(1,437,340)	11,452,722
Increase (decrease) in net assets	(28,095,458)	136,848,423
Net assets at beginning of period	341,592,839	204,744,416
Net assets at end of period (including undistributed net investment income of $1,446,630 and $2,776,543, respectively)	**$ 313,497,381**	**$ 341,592,839**

Other Information		
Class A		
Shares outstanding at beginning of period	30,277,518	18,483,989
Shares sold	991,551	4,876,623
Shares issued in tax-free reorganization	—	11,366,540
Shares issued to shareholders in reinvestment of distributions	265,107	253,023
Shares redeemed	(3,690,753)	(4,702,657)
Net increase (decrease) in Class A shares	(2,434,095)	11,793,529
Shares outstanding at end of period	**27,843,423**	**30,277,518**
Class B		
Shares outstanding at beginning of period	4,883,742	3,576,021
Shares sold	216,851	1,896,063
Shares issued in tax-free reorganization	—	1,191,379
Shares issued to shareholders in reinvestment of distributions	28,606	38,684
Shares redeemed	(393,628)	(1,818,405)
Net increase (decrease) in Class B shares	(148,171)	1,307,721
Shares outstanding at end of period	**4,735,571**	**4,883,742**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.72**	**$ 9.29**	**$ 8.50**	**$ 6.77**	**$ 8.90**	**$10.38**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.10	.12	.07	.07	.09
Net realized and unrealized gain (loss) on investment transactions	(.04)	.45	.74	1.74	(2.12)	(1.23)
Total from investment operations	.01	.55	.86	1.81	(2.05)	(1.14)
Less distributions from:						
Net investment income	(.10)	(.12)	(.07)	(.08)	(.08)	(.12)
Net realized gain on investment transactions	—	—	—	—	—	(.22)
Total distributions	(.10)	(.12)	(.07)	(.08)	(.08)	(.34)
Net asset value, end of period	**$ 9.63**	**$ 9.72**	**$ 9.29**	**$ 8.50**	**$ 6.77**	**$ 8.90**
Total Return (%)	.02[d]**	6.07[d]	10.16	26.74	(23.13)	(11.30)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	268	294	172	161	135	185
Ratio of expenses before expense reductions (%)	.57*	.57	.56	.59	.57	.57[c]
Ratio of expenses after expense reductions (%)	.54*	.54	.56	.59	.57	.56[c]
Ratio of net investment income (loss) (%)	1.05*	1.10	1.37	.91	.92	.94
Portfolio turnover rate (%)	116*	115	33	37	66	67

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .56% and .56%, respectively.*

d *Total return would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.68**	**$ 9.25**	**$ 8.47**	**$ 6.75**	**$ 8.87**	**$10.35**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.03	.07	.09	.05	.05	.06
Net realized and unrealized gain (loss) on investment transactions	(.05)	.45	.73	1.73	(2.12)	(1.23)
Total from investment operations	(.02)	.52	.82	1.78	(2.07)	(1.17)
Less distributions from:						
Net investment income	(.06)	(.09)	(.04)	(.06)	(.05)	(.09)
Net realized gain on investment transactions	—	—	—	—	—	(.22)
Total distributions	(.06)	(.09)	(.04)	(.06)	(.05)	(.31)
Net asset value, end of period	**$ 9.60**	**$ 9.68**	**$ 9.25**	**$ 8.47**	**$ 6.75**	**$ 8.87**
Total Return (%)	(.23)[d]**	5.73[d]	9.78	26.55	(23.40)	(11.56)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	45	47	33	18	7	10
Ratio of expenses before expense reductions (%)	.94*	.95	.89	.85	.82	.82[c]
Ratio of expenses after expense reductions (%)	.89*	.89	.89	.85	.82	.81[c]
Ratio of net investment income (loss) (%)	.70*	.75	1.04	.65	.67	.69
Portfolio turnover rate (%)	116*	115	33	37	66	67

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .81% and .81%, respectively.*

d *Total return would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Capital Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$ 993.10	$ 991.70
Expenses Paid per $1,000*	$ 2.42	$ 4.25
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1.022.36	$1.020.53
Expenses Paid per $1,000*	$ 2.46	$ 4.31

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS Capital Growth VIP	.49%	.86%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Capital Growth VIP

Investors' concerns about inflation and rising interest rates created a high level of uncertainty during the first six months of 2006. Nonethless, the broad equity market, as measured by the S&P 500 Index, had a return of 2.71% for the period. With a return of –0.69% (Class A shares, unadjusted for contract charges) for the first half of 2006, the Portfolio outperformed the Russell 1000 Growth Index, which posted a return of –0.93%, but underperformed its other benchmark, the S&P 500 Index.

The chief positive driver of the Portfolio's performance, both on an absolute basis and relative to its benchmarks, was an overweight in energy. This positioning, which we have maintained for some time, is based on our belief that chronic underinvestment in the exploration for and production of new oil reserves creates long-term growth opportunities. Energy holdings that were particularly strong in the first half of 2006 were Schlumberger, Ltd.,

Since technology stocks performed poorly, the Portfolio's overweight in the technology sector had a negative effect on performance. Holdings in this sector that hurt performance include eBay, Inc., Apple Computer, Inc. and EMC Corp. In health care, stock selection hurt performance, especially positions in UnitedHealth Group, Inc. and Genentech, Inc., two innovative companies that weakened on profit taking after performing exceptionally well during 2005.

Despite the considerable uncertainty surrounding the equity market, we remain cautiously optimistic. Although past performance is no guarantee of future results, historically, high-quality companies such as those in this Portfolio have been the best performers in the later stages of economic expansions. We believe that our style of large cap growth management, with a high level of diversification across market sectors, may enable us to produce consistent, competitive returns.

Julie M. Van Cleave, CFA
Lead Portfolio Manager

Jack A. Zehner
Thomas J. Schmid, CFA
Portfolio Managers

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific information regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Index is an unmanaged, price-only index of the 1,000 largest-capitalization companies that are domiciled in the United States and whose common stocks are traded there.

Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Capital Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	98%	98%
Cash Equivalents	2%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Information Technology	22%	25%
Health Care	19%	21%
Energy	16%	14%
Consumer Staples	13%	12%
Consumer Discretionary	11%	11%
Industrials	10%	9%
Financials	8%	7%
Materials	1%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 14. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Capital Growth VIP

	Shares	Value ($)
Common Stocks 98.4%		
Consumer Discretionary 10.3%		
Automobiles 1.0%		
Harley-Davidson, Inc.	186,600	**10,242,474**
Hotels Restaurants & Leisure 1.0%		
Starbucks Corp.*	267,800	**10,112,128**
Household Durables 0.8%		
Fortune Brands, Inc.	110,400	**7,839,504**
Media 2.8%		
McGraw-Hill Companies, Inc.	276,100	13,868,503
Omnicom Group, Inc.	156,840	13,972,876
		27,841,379
Multiline Retail 2.4%		
Kohl's Corp.*	131,500	7,774,280
Target Corp.	330,300	16,141,761
		23,916,041
Specialty Retail 2.3%		
Best Buy Co., Inc.	89,200	4,891,728
Lowe's Companies, Inc.	97,100	5,891,057
Staples, Inc.	526,100	12,794,752
		23,577,537
Consumer Staples 13.3%		
Beverages 3.7%		
Diageo PLC	581,570	9,781,127
PepsiCo, Inc.	461,150	27,687,446
		37,468,573
Food & Staples Retailing 3.1%		
Wal-Mart Stores, Inc.	279,190	13,448,582
Walgreen Co.	389,800	17,478,632
		30,927,214
Food Products 3.4%		
Dean Foods Co.*	220,400	8,196,676
Groupe Danone	76,933	9,776,158
Kellogg Co.	214,500	10,388,235
The Hershey Co.	110,300	6,074,221
		34,435,290
Household Products 3.1%		
Colgate-Palmolive Co.	150,240	8,999,376
Procter & Gamble Co.	387,400	21,539,440
		30,538,816
Energy 15.9%		
Energy Equipment & Services 8.3%		
Baker Hughes, Inc.	257,100	21,043,635
Halliburton Co.	149,200	11,072,132
Noble Corp.	122,100	9,086,682
Schlumberger Ltd.	361,900	23,563,309
Transocean, Inc.*	233,040	18,717,773
		83,483,531
Oil, Gas & Consumable Fuels 7.6%		
ConocoPhillips	275,860	18,077,106
Devon Energy Corp.	265,000	16,008,650
EOG Resources, Inc.	223,400	15,490,556
Hugoton Royalty Trust	2	59
Valero Energy Corp.	266,600	17,734,232
XTO Energy, Inc.	206,266	9,131,396
		76,441,999
Financials 7.7%		
Capital Markets 3.1%		
Lehman Brothers Holdings, Inc.	134,600	8,769,190
Merrill Lynch & Co., Inc.	149,000	10,364,440
The Goldman Sachs Group, Inc.	82,700	12,440,561
		31,574,191
Consumer Finance 1.0%		
American Express Co.	178,500	**9,499,770**
Diversified Financial Services 1.8%		
Bank of America Corp.	271,900	13,078,390
Citigroup, Inc.	110,599	5,335,296
		18,413,686
Insurance 1.8%		
AFLAC, Inc.	253,500	11,749,725
Genworth Financial, Inc. "A"	179,200	6,243,328
		17,993,053
Health Care 18.2%		
Biotechnology 5.6%		
Amgen, Inc.*	166,050	10,831,441
Genentech, Inc.*	308,300	25,218,940
Gilead Sciences, Inc.*	350,700	20,747,412
		56,797,793
Health Care Equipment & Supplies 4.3%		
Baxter International, Inc.	236,000	8,675,360
Boston Scientific Corp.*	170,700	2,874,588
C.R. Bard, Inc.	102,200	7,487,172
Medtronic, Inc.	257,200	12,067,824
Zimmer Holdings, Inc.*	212,340	12,043,925
		43,148,869
Health Care Providers & Services 2.4%		
UnitedHealth Group, Inc.	537,500	**24,069,250**
Pharmaceuticals 5.9%		
Abbott Laboratories	374,100	16,314,501
Eli Lilly & Co.	121,900	6,737,413
Johnson & Johnson	536,886	32,170,209
Teva Pharmaceutical Industries Ltd. (ADR)	127,100	4,015,089
		59,237,212
Industrials 9.5%		
Aerospace & Defense 2.5%		
United Technologies Corp.	396,800	**25,165,056**
Air Freight & Logistics 1.5%		
FedEx Corp.	128,100	**14,969,766**
Electrical Equipment 1.4%		
Emerson Electric Co.	168,900	**14,155,509**
Industrial Conglomerates 3.0%		
General Electric Co.	899,690	**29,653,782**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Machinery 1.1%		
Caterpillar, Inc.	151,100	**11,253,928**
Information Technology 21.9%		
Communications Equipment 2.6%		
Cisco Systems, Inc.*	692,420	13,522,962
QUALCOMM, Inc.	315,500	12,642,085
		26,165,047
Computers & Peripherals 3.4%		
Apple Computer, Inc.*	237,000	13,537,440
EMC Corp.*	878,500	9,637,145
International Business Machines Corp.	142,900	10,977,578
		34,152,163
Internet Software & Services 2.5%		
eBay, Inc.*	282,700	8,280,283
Google, Inc. "A"*	17,800	7,464,074
Yahoo!, Inc.* (a)	284,350	9,383,550
		25,127,907
IT Services 3.0%		
Accenture Ltd. "A"	428,700	12,140,784
Fiserv, Inc.*	186,500	8,459,640
Paychex, Inc.	252,400	9,838,552
		30,438,976
Semiconductors & Semiconductor Equipment 5.6%		
Broadcom Corp. "A"*	471,200	14,159,560
Intel Corp.	541,990	10,270,711
Linear Technology Corp.	281,530	9,428,440
Maxim Integrated Products, Inc.	269,400	8,650,434
Texas Instruments, Inc.	452,050	13,692,594
		56,201,739

	Shares	Value ($)
Software 4.8%		
Adobe Systems, Inc.*	282,600	8,579,736
Electronic Arts, Inc.*	195,800	8,427,232
Microsoft Corp.	1,326,880	30,916,304
		47,923,272
Materials 1.1%		
Chemicals		
Ecolab, Inc.	261,700	**10,619,786**
Utilities 0.5%		
Independent Power Producers & Energy Traders		
TXU Corp.	83,500	**4,992,465**
Total Common Stocks (Cost $725,485,950)		**988,377,706**
Securities Lending Collateral 0.9%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $9,010,000)	9,010,000	**9,010,000**
Cash Equivalents 2.1%		
Cash Management QP Trust, 5.07% (d) (Cost $21,095,046)	21,095,046	**21,095,046**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $755,590,996)†	101.4	**1,018,482,752**
Other Assets and Liabilities, Net	(1.4)	**(13,882,859)**
Net Assets	100.0	**1,004,599,893**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $759,386,764. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $259,095,988. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $282,095,613 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $22,999,625.*

(a) *All or a portion of these securities were on loan (See Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $8,737,050 which is 0.9% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $725,485,950), including $8,737,050 of securities loaned	$ 988,377,706
Investment in Daily Assets Fund Institutional (cost $9,010,000)*	9,010,000
Investment in Cash Management QP Trust (cost $21,095,046)	21,095,046
Total investments in securities, at value (cost $755,590,996)	1,018,482,752
Cash	10,000
Foreign currency, at value (cost $22,243)	22,485
Dividends receivable	477,610
Interest receivable	43,496
Receivable for investments sold	5,546,707
Receivable for Portfolio shares sold	489,868
Other assets	19,163
Total assets	1,025,092,081
Liabilities	
Payable for Portfolio shares redeemed	720,050
Payable for investments purchased	10,434,957
Payable upon return of securities loaned	9,010,000
Accrued management fee	231,129
Accrued distribution fees (Class B)	13,745
Other accrued expenses and payables	82,307
Total liabilities	20,492,188
Net assets, at value	**$ 1,004,599,893**
Net Assets	
Net assets consist of:	
Undistributed net investment income	3,323,311
Net unrealized appreciation (depreciation) on:	
Investments	262,891,756
Foreign currency related transactions	(115)
Accumulated net realized gain (loss)	(367,794,102)
Paid-in capital	1,106,179,043
Net assets, at value	**$ 1,004,599,893**
Class A	
Net Asset Value, offering and redemption price per share ($933,555,559 ÷ 55,955,164 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 16.68**
Class B	
Net Asset Value, offering and redemption price per share ($71,044,334 ÷ 4,271,600 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 16.63**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $22,779)	$ 6,064,768
Interest — Cash Management QP Trust	262,385
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	14,388
Total Income	6,341,541
Expenses:	
Management fee	2,367,881
Administration fees	82,307
Custodian and accounting fees	103,273
Distribution service fees (Class B)	91,500
Record keeping fees (Class B)	50,121
Auditing	17,385
Legal	28,502
Trustees' fees and expenses	13,470
Reports to shareholders	88,863
Other	45,181
Total expenses before expense reductions	2,888,483
Expense reductions	(130,147)
Total expenses after expense reductions	2,758,336
Net investment income (loss)	**3,583,205**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	3,166,205
Foreign currency related transactions	(102,856)
	3,063,349
Net unrealized appreciation (depreciation) during the period on investments	(12,900,430)
Foreign currency related transactions	(115)
	(12,900,545)
Net gain (loss) on investment transactions	**(9,837,196)**
Net increase (decrease) in net assets resulting from operations	**$ (6,253,991)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 3,583,205	$ 5,641,371
Net realized gain (loss) on investment transactions	3,063,349	28,741,011
Net unrealized appreciation (depreciation) during the period on investment transactions	(12,900,545)	68,936,129
Net increase (decrease) in net assets resulting from operations	(6,253,991)	103,318,511
Distributions to shareholders from:		
Net investment income:		
Class A	(5,636,032)	(6,678,103)
Class B	(141,341)	(143,508)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,425,995	32,068,877
Net assets acquired in tax-free reorganization	—	335,682,359
Reinvestment of distributions	5,636,032	6,678,103
Cost of shares redeemed	(101,789,598)	(130,607,217)
Net increase (decrease) in net assets from Class A share transactions	(86,727,571)	243,822,122
Class B		
Proceeds from shares sold	5,092,145	47,750,588
Net assets acquired in tax-free reorganization	—	44,685,282
Reinvestment of distributions	141,341	143,508
Cost of shares redeemed	(6,560,364)	(49,704,968)
Net increase (decrease) in net assets from Class B share transactions	(1,326,878)	42,874,410
Increase (decrease) in net assets	(100,085,813)	383,193,432
Net assets at beginning of period	1,104,685,706	721,492,274
Net assets at end of period (including undistributed net investment income of $3,323,311 and $5,517,479, respectively)	**$ 1,004,599,893**	**$ 1,104,685,706**

Other Information		
Class A		
Shares outstanding at beginning of period	61,042,375	44,544,616
Shares sold	548,811	1,996,443
Shares issued in tax-free reorganization	—	22,200,595
Shares issued to shareholders in reinvestment of distributions	322,982	441,966
Shares redeemed	(5,959,004)	(8,141,245)
Net increase (decrease) in Class A shares	(5,087,211)	16,497,759
Shares outstanding at end of period	**55,955,164**	**61,042,375**
Class B		
Shares outstanding at beginning of period	4,353,863	1,503,725
Shares sold	296,316	3,152,024
Shares issued in tax-free reorganization	—	2,963,218
Shares issued to shareholders in reinvestment of distributions	8,123	9,523
Shares redeemed	(386,702)	(3,274,627)
Net increase (decrease) in Class B shares	(82,263)	2,850,138
Shares outstanding at end of period	**4,271,600**	**4,353,863**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$16.90**	**$15.67**	**$14.59**	**$11.54**	**$16.36**	**$23.07**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.06	.10	.14	.08	.05	.05
Net realized and unrealized gain (loss) on investment transactions	(.18)	1.29	1.02	3.03	(4.82)	(4.21)
Total from investment operations	(.12)	1.39	1.16	3.11	(4.77)	(4.16)
Less distributions from:						
Net investment income	(.10)	(.16)	(.08)	(.06)	(.05)	(.08)
Net realized gain on investment transactions	—	—	—	—	—	(2.47)
Total distributions	(.10)	(.16)	(.08)	(.06)	(.05)	(2.55)
Net asset value, end of period	**$16.68**	**$16.90**	**$15.67**	**$14.59**	**$11.54**	**$16.36**
Total Return (%)	(.69)[d]**	8.96[d]	7.99	26.89	(29.18)	(19.36)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	934	1,031	698	705	558	866
Ratio of expenses before expense reductions (%)	.51*	.50	.50	.51	.51	.52[c]
Ratio of expenses after expense reductions (%)	.49*	.49	.50	.51	.51	.50[c]
Ratio of net investment income (loss) (%)	.69*	.61	.98	.61	.38	.27
Portfolio turnover rate (%)	15*	17	15	13	25	33

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .50% and .50%, respectively.*
d *Total return would have been less had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$16.81**	**$15.59**	**$14.52**	**$11.49**	**$16.29**	**$23.00**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.03	.04	.09	.03	.02	.00[c]
Net realized and unrealized gain (loss) on investment transactions	(.18)	1.28	1.01	3.02	(4.81)	(4.21)
Total from investment operations	(.15)	1.32	1.10	3.05	(4.79)	(4.21)
Less distributions from:						
Net investment income	(.03)	(.10)	(.03)	(.02)	(.01)	(.03)
Net realized gain on investment transactions	—	—	—	—	—	(2.47)
Total distributions	(.03)	(.10)	(.03)	(.02)	(.01)	(2.50)
Net asset value, end of period	**$16.63**	**$16.81**	**$15.59**	**$14.52**	**$11.49**	**$16.29**
Total Return (%)	(.83)[e]**	8.51[e]	7.56	26.51	(29.37)	(19.64)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	71	73	23	15	.89	.71
Ratio of expenses before expense reductions (%)	.90*	.89	.88	.87	.76	.77[d]
Ratio of expenses after expense reductions (%)	.86*	.86	.88	.87	.76	.75[d]
Ratio of net investment income (loss) (%)	.32*	.24	.60	.25	.13	.02
Portfolio turnover rate (%)	15*	17	15	13	25	33

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Amount is less than $.005.*
d *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .75% and .75%, respectively.*
e *Total return would have been less had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Global Opportunities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Class B shares limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,065.30	$1,065.20
Expenses Paid per $1,000*	$ 5.79	$ 6.35
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,019.19	$1,018.65
Expenses Paid per $1,000*	$ 5.66	$ 6.21

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS Global Opportunities VIP	1.13%	1.24%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Global Opportunities VIP

DWS Global Opportunities VIP provided a total return of 6.53% during the first half of 2006 (Class A shares, unadjusted for contract charges), trailing the 8.48% return of its benchmark, the S&P/Citigroup Extended Market Index. However, the Portfolio outperformed the 5.23% average return of the 43 portfolios in Lipper's Global Growth category and remains well ahead of the peer group average over the three-, five- and ten-year periods.

The Portfolio's sector allocation, which is a residual effect of our primary focus — individual stock selection — was the more important factor behind the Portfolio's underperformance relative to its benchmark. Overweights in the traditional growth sectors — health care and technology — along with underweights in typical value sectors — materials and industrials — detracted from performance given that the benchmark is a combination of growth and value stocks. We made up for some of the resulting shortfall through stock selection in health care, financials and energy. In the health care sector, Celgene Corp. (United States), AMERIGROUP Corp. (United States) and Stada Arzneimittel AG (Germany) all produced strong gains. The leader in financials was First Marblehead Corp. (United States), which continues to expand its client base, while top performers in energy were SBM Offshore NV of the Netherlands and Prosafe ASA of Norway.

Although the investment environment grew more challenging as the semiannual period progressed, we believe the Portfolio is well-positioned due to the Portfolio's ability to invest globally and across a broad range of market caps — from micro to small to mid — in order to find growth and manage risk.

Joseph Axtell, CFA	Terrence S. Gray, CFA
Lead Portfolio Manager	*Portfolio Manager*

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuations, political and economic changes and market risks. Additionally, stocks of small-sized companies involve greater risk as they often have limited product lines, markets or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more established companies. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The S&P/Citigroup Extended Market Index (formerly the Citigroup World Equity Extended Market Index) is an unmanaged index of small-capitalization stocks within 26 countries around the globe. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Lipper Global Growth Funds category invests at least 75% of its equity assets in companies both inside and outside of the US Growth funds typically have an above-average price-to-cash flow ratio, price-to-book ratio, and three-year sales-per-share growth value compared to the S&P/Citigroup World BMI.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Global Opportunities VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks and Warrants	98%	99%
Cash Equivalents	2%	1%
	100%	100%

Geographical Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/06**	**12/31/05**
Europe	39%	38%
United States	36%	37%
Japan	7%	8%
Pacific Basin	6%	7%
United Kingdom	5%	4%
Australia	2%	2%
Latin America	2%	2%
Canada	2%	1%
Other	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Financials	25%	25%
Health Care	17%	14%
Consumer Discretionary	14%	17%
Information Technology	14%	14%
Industrials	13%	14%
Energy	8%	5%
Utilities	3%	3%
Materials	2%	4%
Telecommunication Services	2%	2%
Consumer Staples	2%	2%
	100%	100%

Asset allocation, geographical diversification and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 22. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Global Opportunities VIP

	Shares	Value ($)
Common Stocks 98.1%		
Australia 2.3%		
Babcock & Brown Ltd.	190,200	3,065,613
Macquarie Bank Ltd.	29,711	1,523,399
Sigma Pharmaceuticals Ltd. (a)	1,719,638	3,322,443
(Cost $6,440,627)		**7,911,455**
Bermuda 0.6%		
Orient-Express Hotels Ltd. "A" (Cost $1,474,197)	47,700	**1,852,668**
Brazil 2.4%		
Aracruz Celulose SA (ADR) (Preferred)	62,500	3,276,250
Diagnosticos da America SA*	163,700	3,249,965
Empresa Brasiliera de Aeronautica SA (Preferred) (ADR)	46,518	1,696,512
(Cost $6,195,889)		**8,222,727**
Canada 1.5%		
Certicom Corp.*	240,000	1,345,875
Flint Energy Services Ltd.*	25,700	1,336,915
OPTI Canada, Inc.*	120,000	2,456,329
(Cost $4,047,105)		**5,139,119**
Denmark 0.9%		
GN Store Nord AS (GN Great Nordic) (a) (Cost $2,726,276)	267,500	**3,073,210**
France 3.1%		
Business Objects SA*	29,188	796,311
Business Objects SA (ADR)*	63,900	1,738,080
Financiere Marc de Lacharriere SA	30,374	2,395,095
Flamel Technologies SA (ADR)* (a)	118,900	2,196,083
JC Decaux SA (a)	123,622	3,266,734
(Cost $9,247,841)		**10,392,303**
Germany 14.3%		
AWD Holding AG (a)	128,163	4,298,164
Curanum AG (a)	150,658	1,531,958
Deutsche Boerse AG	38,686	5,269,763
Fresenius Medical Care AG & Co.	77,847	8,949,373
Hypo Real Estate Holding AG	97,269	5,908,324
Puma AG	11,665	4,534,673
QSC AG*	310,600	1,724,165
Rational AG	15,511	2,536,263
Stada Arzneimittel AG (a)	106,086	4,230,794
United Internet AG (Registered) (a)	348,668	5,026,014
Wincor Nixdorf AG	32,876	4,202,904
(Cost $25,100,388)		**48,212,395**
Greece 4.2%		
Athens Stock Exchange SA	125,200	2,014,525
Coca-Cola Hellenic Bottling Co. SA	100,100	2,983,168
Piraeus Bank SA	267,375	6,360,942
Titan Cement Co. SA	62,900	2,950,989
(Cost $8,902,343)		**14,309,624**
Hong Kong 2.5%		
Kingboard Chemical Holdings Ltd.	1,343,500	3,797,153
Midland Holdings Ltd.	2,285,800	1,015,414
Wing Hang Bank Ltd.	428,700	3,745,322
(Cost $5,230,233)		**8,557,889**
Ireland 6.5%		
Anglo Irish Bank Corp., PLC	758,416	11,834,638
FBD Holdings PLC	56,400	2,661,909
ICON PLC (ADR)*	27,900	1,542,870
Irish Continental Group PLC*	65,360	888,655
Paddy Power PLC	189,500	3,284,250
Ryanair Holdings PLC* (b)	1,100	9,975
Ryanair Holdings PLC* (b)	169,500	1,539,273
(Cost $8,175,468)		**21,761,570**
Italy 1.5%		
Lottomatica SpA	45,165	1,713,408
Safilo Group SpA* (a)	383,700	1,808,493
Societa Iniziative Autostradali e Servizi SpA (SIAS)	132,600	1,671,429
(Cost $5,685,971)		**5,193,330**
Japan 7.0%		
AEON Credit Services Co., Ltd.	100,800	2,448,654
AEON Mall Co., Ltd. (a)	80,000	3,362,461
JAFCO Co., Ltd.	22,100	1,324,764
KITZ Corp.	189,000	1,433,520
Matsui Securities Co., Ltd. (a)	186,000	1,760,206
Nidec Corp.	25,600	1,834,324
Park24 Co., Ltd. (a)	122,000	3,592,625
Sumitomo Realty & Development Co., Ltd.	223,000	5,495,107
UFJ Central Leasing Co., Ltd.	46,000	2,315,274
(Cost $16,290,983)		**23,566,935**
Korea 1.3%		
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	112,200	3,299,478
Korea Information Service, Inc.	35,000	929,645
(Cost $2,760,432)		**4,229,123**
Netherlands 2.7%		
Chicago Bridge & Iron Co., NV (New York Shares)	143,500	3,465,525
SBM Offshore NV	212,583	5,666,487
(Cost $4,601,046)		**9,132,012**
Norway 1.4%		
Prosafe ASA	35,600	2,173,208
Tandberg Television ASA* (a)	144,200	2,391,789
(Cost $4,439,170)		**4,564,997**
Russia 0.7%		
Mobile TeleSystems (ADR)	48,900	1,439,616
Pyaterochka Holding NV (GDR) 144A*	55,700	927,405
(Cost $1,172,384)		**2,367,021**
Sweden 1.6%		
Brostrom AB "B" (a)	87,700	1,730,420
Eniro AB	201,300	2,118,800
Micronic Laser Systems AB*	144,100	1,591,823
(Cost $4,433,243)		**5,441,043**
Switzerland 1.4%		
Advanced Digital Broadcast Holdings SA (ADB Group) (Registered)*	20,654	743,345

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Fortune Management, Inc. (REG S)*	480,651	1,967,286
Partners Group (Registered)*	29,000	1,885,812
(Cost $4,184,785)		**4,596,443**
Taiwan 2.0%		
Powerchip Semiconductor Corp.*	2,955,000	1,939,425
Siliconware Precision Industries Co.	2,809,537	3,453,620
Yuanta Core Pacific Securities Co.	2,181,000	1,441,538
(Cost $5,114,095)		**6,834,583**
Thailand 0.5%		
Bangkok Bank PCL (Foreign Registered) (Cost $1,528,960)	609,900	**1,695,944**
United Kingdom 4.6%		
Aegis Group PLC	610,239	1,469,812
ARM Holdings PLC	754,483	1,580,054
Group 4 Securicor PLC (a)	454,660	1,434,492
John Wood Group PLC	306,492	1,326,231
Michael Page International PLC	522,866	3,388,930
Misys PLC	195,323	776,562
Serco Group PLC	500,904	2,964,072
Taylor Nelson Sofres PLC	586,931	2,528,874
(Cost $15,258,805)		**15,469,027**
United States 35.1%		
Adams Respiratory Therapeutics, Inc.*	56,800	2,534,416
Advance Auto Parts, Inc.	82,750	2,391,475
Advanced Medical Optics, Inc.*	70,600	3,579,420
Aeropostale, Inc.*	118,900	3,435,021
Allegheny Energy, Inc.*	218,000	8,081,260
AMERIGROUP Corp.*	122,200	3,793,088
Aventine Renewable Energy Holdings, Inc.*	10,700	416,230
Bravo! Foods International Corp.* (a)	720,900	439,749
Carter's, Inc.*	81,400	2,151,402
Celgene Corp.*	103,100	4,890,033
Cogent, Inc.* (a)	109,400	1,648,658
Diamond Foods, Inc.	76,900	1,235,783
Dresser-Rand Group, Inc.*	106,800	2,507,664
EMS Technologies, Inc.*	62,700	1,126,719
Euronet Worldwide, Inc.* (a)	110,500	4,239,885
First Marblehead Corp.	79,300	4,515,342
Foundation Coal Holdings, Inc.	71,900	3,374,267
FTI Consulting, Inc.*	84,650	2,266,080
Gentex Corp.	98,300	1,376,200
GTECH Holdings Corp.	111,600	3,881,447
Harman International Industries, Inc.	29,800	2,544,026
Harris Interactive, Inc.*	146,700	836,190
Invitrogen Corp.*	38,200	2,523,874
Joy Global, Inc.	102,375	5,332,714
Kenneth Cole Productions, Inc. "A"	58,000	1,295,140
Lam Research Corp.*	46,700	2,177,154
Legg Mason, Inc.	16,350	1,627,152
Mueller Water Products, Inc. "A"* (a)	106,600	1,855,906
NeuStar, Inc. "A"*	79,000	2,666,250
New York & Co., Inc.*	124,700	1,218,319
Nuveen Investments "A"	76,900	3,310,545
NxStage Medical, Inc.*	198,700	1,734,651
Openwave Systems, Inc.*	146,900	1,695,226
P.F. Chang's China Bistro, Inc.* (a)	54,800	2,083,496
Perficient, Inc.*	100,100	1,237,236
Rowan Companies, Inc.	58,800	2,092,692
Schawk, Inc. (a)	96,000	1,680,000
Somanetics Corp.*	111,200	2,123,920
Telik, Inc.* (a)	114,300	1,885,950
Thoratec Corp.*	136,800	1,897,416
THQ, Inc.*	168,100	3,630,960
Ultra Petroleum Corp.*	120,700	7,153,889
VeraSun Energy Corp.* (a)	12,800	335,872
Waters Corp.*	65,800	2,921,520
WellCare Health Plans, Inc.*	32,000	1,569,600
Zions Bancorp.	36,600	2,852,604
(Cost $89,797,910)		**118,166,441**
Total Common Stocks (Cost $232,808,151)		**330,689,859**

Warrants 0.0%

Hong Kong

Kingboard Chemical Holdings Ltd.* (Cost $849)	91,640	**30,089**

Securities Lending Collateral 12.5%

Daily Assets Fund Institutional, 5.1% (c) (d) (Cost $41,993,639)	41,993,639	**41,993,639**

Cash Equivalents 1.6%

Cash Management QP Trust, 5.07% (e) (Cost $5,393,172)	5,393,172	**5,393,172**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $280,195,811)†	112.2	**378,106,759**
Other Assets and Liabilities, Net	(12.2)	**(41,162,160)**
Net Assets	100.0	**336,944,599**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $284,618,137. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $93,488,622. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $108,153,620 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $14,664,998.*

(a) *All or a portion of these securities were on loan (See Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $39,416,604 which is 11.7% of net assets.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $232,809,000), including $39,416,604 of securities loaned	$	330,719,948
Investment in Daily Assets Fund Institutional (cost $41,993,639)*		41,993,639
Investment in Cash Management QP Trust (cost $5,393,172)		5,393,172
Total investments in securities, at value (cost $280,195,811)		378,106,759
Cash		12,854
Foreign currency, at value (cost $84,878)		82,498
Receivable for investments sold		1,217,339
Dividends receivable		416,283
Interest receivable		59,440
Receivable for Portfolio shares sold		115,342
Foreign taxes recoverable		24,602
Other assets		7,428
Total assets		380,042,545
Liabilities		
Payable for Portfolio shares redeemed		66,200
Payable upon return of securities loaned		41,993,639
Payable for investments purchased		716,100
Accrued distributions fee (Class B)		2,947
Accrued management fee		238,346
Other accrued expenses and payables		80,714
Total liabilities		43,097,946
Net assets, at value	**$**	**336,944,599**
Net Assets		
Net assets consist of:		
Accumulated distribution in excess of net investment income		(3,082,016)
Net unrealized appreciation (depreciation) on:		
Investments		97,910,948
Foreign currency related transactions		1,019
Accumulated net realized gain (loss)		21,594,285
Paid-in capital		220,520,363
Net assets, at value	**$**	**336,944,599**
Class A		
Net Asset Value, offering and redemption price per share ($302,867,074 ÷ 19,130,380 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**15.83**
Class B		
Net Asset Value, offering and redemption price per share ($34,077,525 ÷ 2,175,349 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**15.67**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $217,100)	$	2,587,754
Interest (net of foreign taxes withheld of $47)		685
Interest — Cash Management QP Trust		141,201
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		172,447
Total Income		2,902,087
Expenses:		
Management fee		1,643,820
Administration fees		26,988
Custodian and accounting fees		189,357
Distribution service fees (Class B)		44,156
Record keeping fees (Class B)		22,039
Auditing		18,281
Legal		12,633
Trustees' fees and expenses		4,163
Reports to shareholders		21,901
Other		16,795
Total expenses before expense reductions		2,000,133
Expense reductions		(49,769)
Total expenses after expense reductions		1,950,364
Net investment income (loss)		**951,723**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments (net of foreign taxes of $120,830)		22,054,527
Foreign currency related transactions		(62,872)
		21,991,655
Net unrealized appreciation (depreciation) during the period on:		
Investments (net of deferred foreign taxes of $731)		(2,488,614)
Foreign currency related transactions		740
		(2,487,874)
Net gain (loss) on investment transactions		**19,503,781**
Net increase (decrease) in net assets resulting from operations	**$**	**20,455,504**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 951,723	$ 880,408
Net realized gain (loss) on investment transactions	21,991,655	29,176,839
Net unrealized appreciation (depreciation) during the period on investment transactions	(2,487,874)	18,673,524
Net increase (decrease) in net assets resulting from operations	20,455,504	48,730,771
Distributions to shareholders from:		
Net investment income:		
Class A	(3,088,293)	(1,475,427)
Class B	(323,635)	(100,297)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	19,083,833	36,509,577
Reinvestment of distributions	3,088,293	1,475,427
Cost of shares redeemed	(19,736,123)	(27,263,254)
Net increase (decrease) in net assets from Class A share transactions	2,436,003	10,721,750
Class B		
Proceeds from shares sold	2,586,087	8,447,459
Reinvestment of distributions	323,635	100,297
Cost of shares redeemed	(3,663,105)	(3,892,529)
Net increase (decrease) in net assets from Class B share transactions	(753,383)	4,655,227
Increase (decrease) in net assets	18,726,196	62,532,024
Net assets at beginning of period	318,218,403	255,686,379
Net assets at end of period (including accumulated distributions in excess of net investment income $3,082,016 and $621,811, respectively)	**$ 336,944,599**	**$ 318,218,403**

Other Information		
Class A		
Shares outstanding at beginning of period	19,013,655	18,170,922
Shares sold	1,171,685	2,735,197
Shares issued to shareholders in reinvestment of distributions	181,664	116,727
Shares redeemed	(1,236,624)	(2,009,191)
Net increase (decrease) in Class A shares	116,725	842,733
Shares outstanding at end of period	**19,130,380**	**19,013,655**
Class B		
Shares outstanding at beginning of period	2,223,191	1,871,933
Shares sold	161,311	635,797
Shares issued to shareholders in reinvestment of distributions	19,241	8,017
Shares redeemed	(228,394)	(292,556)
Net increase (decrease) in Class B shares	(47,842)	351,258
Shares outstanding at end of period	**2,175,349**	**2,223,191**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$15.00**	**$12.77**	**$10.38**	**$ 6.97**	**$ 8.70**	**$11.76**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.04	.01	.02	(.00)[c]	(.00)[c]
Net realized and unrealized gain (loss) on investment transactions	.94	2.27	2.41	3.40	(1.73)	(2.87)
Total from investment operations	.99	2.31	2.42	3.42	(1.73)	(2.87)
Less distributions from:						
Net investment income	(.16)	(.08)	(.03)	(.01)	—	—
Net realized gain on investment transactions	—	—	—	—	—	(.19)
Total distributions	(.16)	(.08)	(.03)	(.01)	—	(.19)
Net asset value, end of period	**$15.83**	**$15.00**	**$12.77**	**$10.38**	**$ 6.97**	**$ 8.70**
Total Return (%)	6.53**	18.19	23.35	49.09	(19.89)	(24.59)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	303	285	232	183	121	150
Ratio of expenses before expense reductions (%)	1.13*	1.17	1.18	1.18	1.19	1.23[d]
Ratio of expenses after expense reductions (%)	1.13*	1.17	1.18	1.18	1.19	1.22[d]
Ratio of net investment income (loss) (%)	.57*	.32	.09	.28	(.03)	.00[e]
Portfolio turnover rate (%)	41*	30	24	41	47	56

[a] *For the six months ended June 30, 2006 (Unaudited).*
[b] *Based on average shares outstanding during the period.*
[c] *Amount is less than $.005.*
[d] *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.22% and 1.22%, respectively.*
[e] *Amount is less than .005%.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$14.84**	**$12.62**	**$10.25**	**$ 6.89**	**$ 8.62**	**$11.69**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.04	.03	(.01)	.00[c]	(.02)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.94	2.24	2.38	3.36	(1.71)	(2.86)
Total from investment operations	.98	2.27	2.37	3.36	(1.73)	(2.88)
Less distributions from:						
Net investment income	(.15)	(.05)	—	—	—	—
Net realized gain on investment transactions	—	—	—	—	—	(.19)
Total distributions	(.15)	(.05)	—	—	—	(.19)
Net asset value, end of period	**$15.67**	**$14.84**	**$12.62**	**$10.25**	**$ 6.89**	**$ 8.62**
Total Return (%)	6.52[e]**	18.06[e]	23.12[e]	48.77	(20.07)	(24.96)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	34	33	24	13	4	7
Ratio of expenses before expense reductions (%)	1.50*	1.54	1.52	1.43	1.44	1.48[d]
Ratio of expenses after expense reductions (%)	1.24*	1.24	1.39	1.43	1.44	1.47[d]
Ratio of net investment income (loss) (%)	.46*	.25	(.12)	.03	(.28)	(.25)
Portfolio turnover rate (%)	41*	30	24	41	47	56

[a] *For the six months ended June 30, 2006 (Unaudited).*
[b] *Based on average shares outstanding during the period.*
[c] *Amount is less than $.005.*
[d] *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.47% and 1.47%, respectively.*
[e] *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS International VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Class B shares limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,095.90	$1,093.10
Expenses Paid per $1,000*	$ 5.20	$ 7.11

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,019.84	$1,018.00
Expenses Paid per $1,000*	$ 5.01	$ 6.85

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS International VIP	1.00%	1.37%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS International VIP

International equities, as measured by the MSCI EAFE Index, delivered a return of 10.16% in US dollar terms during the first half of the year. Performance was robust through the end of April, but a sharp reversal in the market's appetite for risk dampened returns in May and June. The leading cause for the market's decline was that inflationary pressures across major economies — which are largely a result of rapidly rising commodity prices — have led to central bank tightening, most importantly in the US and Europe. In this environment, the Class A share total return was 9.59% (unadjusted for contract charges) over the first half of the year, trailing the return of the MSCI EAFE index.

The Portfolio's return was primarily supported by stock selection in the telecommunications, information technology and energy sectors. Within telecom, a position in PT Telekomunikasi Indonesia (Indonesia) gained ground on increased subscriber growth in its cellular division. Stock selection was also broadly positive within information technology, with Canon Inc. (Japan), Hon Hai Precision Industry Co., Ltd. (Taiwan) and Nokia Oyj (Finland) delivering strong results. Lastly, the Portfolio's positions in the energy sector, such as OAO Gazprom (Russia), Norsk Hydro ASA (Norway) and Petroleo Brasileiro SA ("Petrobras") (Brazil), were beneficiaries of the elevated prices of oil and gas, the result of continued supply-demand imbalances and infrastructure limitations.

These advances were not enough to offset the detracting effect of consumer staples and industrials. Within consumer staples, the Portfolio's underweighting in large-cap defensive names (including Diageo, Carrefour and British American Tobacco PLC — none of which were held at the end of the reporting period) crimped returns relative to the index during May and June. In the industrials sector, Japan's Mitsubishi Corp. was the primary laggard.

Matthias Knerr, CFA
Manager

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes, and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index is an unmanaged, capitalization-weighted measure of stock markets in Europe, Australasia and the Far East. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS International VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	96%	99%
Cash Equivalents	2%	1%
Preferred Stocks	2%	—
	100%	100%

Geographical Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/06**	**12/31/05**
Europe (excluding United Kingdom)	49%	50%
Japan	22%	22%
United Kingdom	17%	17%
Latin America	4%	3%
Pacific Basin	3%	5%
Australia	1%	2%
Other	4%	1%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/06**	**12/31/05**
Financials	35%	34%
Consumer Discretionary	13%	15%
Industrials	10%	8%
Energy	9%	11%
Materials	8%	7%
Health Care	7%	6%
Information Technology	6%	6%
Consumer Staples	6%	7%
Telecommunication Services	3%	4%
Utilities	3%	2%
	100%	100%

Asset allocation, geographical diversification and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 30. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS International VIP

	Shares	Value ($)
Common Stocks 96.1%		
Australia 1.1%		
Australia & New Zealand Banking Group Ltd. (Cost $4,518,905)	351,892	**6,953,044**
Belgium 2.4%		
InBev NV	150,900	7,401,884
Umicore	60,900	8,132,152
(Cost $14,792,118)		**15,534,036**
Brazil 2.9%		
Companhia Vale do Rio Doce (ADR)	205,412	4,938,104
Gol-Linhas Aereas Inteligentes SA (ADR) (Preferred) (a)	178,400	6,333,200
Petroleo Brasileiro SA (ADR)	83,200	7,430,592
(Cost $10,276,191)		**18,701,896**
Denmark 0.1%		
Novo Nordisk AS "B" (Cost $476,222)	7,809	**497,448**
Finland 3.2%		
Fortum Oyj	287,500	7,354,540
Nokia Oyj	296,057	6,043,603
Nokia Oyj (ADR)	75,590	1,531,453
Nokian Renkaat Oyj (a)	450,610	5,924,908
(Cost $19,156,140)		**20,854,504**
France 8.9%		
Axa (a)	271,544	8,912,192
CNP Assurances	48,685	4,629,817
Pernod Ricard SA (a)	26,363	5,226,539
Schneider Electric SA	80,046	8,344,204
Societe Generale	90,378	13,293,772
Total SA (a)	254,339	16,737,324
(Cost $42,112,974)		**57,143,848**
Germany 11.1%		
BASF AG	92,233	7,406,198
Bayer AG	159,721	7,342,226
Commerzbank AG	276,929	10,073,623
Continental AG	46,966	4,800,945
Deutsche Boerse AG	52,092	7,095,913
E.ON AG	87,267	10,047,933
Fresenius Medical Care AG & Co.	42,685	4,907,113
Hypo Real Estate Holding AG	217,101	13,187,172
KarstadtQuelle AG* (a)	112,715	2,991,489
Stada Arzneimittel AG	77,119	3,075,567
(Cost $50,803,672)		**70,928,179**
Greece 1.9%		
Alpha Bank AE	307,711	7,666,897
Hellenic Telecommunications Organization SA*	218,120	4,804,147
(Cost $7,246,092)		**12,471,044**
India 0.9%		
ICICI Bank Ltd. (Cost $4,294,837)	544,002	**5,816,639**
Indonesia 0.8%		
PT Telekomunikasi Indonesia (ADR) (Cost $3,294,596)	159,200	**5,110,320**
Ireland 2.6%		
Anglo Irish Bank Corp., PLC	545,346	8,509,805
CRH PLC (b)	251,910	8,190,466
CRH PLC (b)	1,900	61,946
(Cost $14,477,968)		**16,762,217**
Italy 5.6%		
Banca Intesa SpA (a)	1,724,560	10,102,561
Banca Italease	228,829	11,470,279
Capitalia SpA (a)	1,187,300	9,741,925
Saras SpA Raffinerie Sarde*	723,107	4,633,701
(Cost $28,866,469)		**35,948,466**
Japan 21.3%		
AEON Co., Ltd.	259,200	5,685,005
Canon, Inc.	269,850	13,228,403
Credit Saison Co., Ltd.	142,400	6,744,215
Daito Trust Construction Co., Ltd.	85,100	4,714,558
Komatsu Ltd.	351,000	6,977,674
Makita Corp.	161,000	5,092,800
Mitsubishi Corp.	562,900	11,239,309
Mitsubishi UFJ Financial Group, Inc.	353	4,935,337
Mitsui Fudosan Co., Ltd.	340,000	7,382,908
Mitsui Sumitomo Insurance Co., Ltd.	358,000	4,495,334
Mizuho Financial Group, Inc.	1,285	10,880,505
Nidec Corp.	64,500	4,621,636
Nishi-Nippon City Bank Ltd.	1,019,000	4,879,518
Nissan Motor Co., Ltd.	571,157	6,238,608
Sega Sammy Holdings, Inc.	258,100	9,562,600
Shinsei Bank Ltd.	878,000	5,562,303
Sumitomo Corp.	499,000	6,579,789
Toyota Motor Corp.	177,900	9,311,613
Yamada Denki Co., Ltd.	35,900	3,660,897
Yamaha Motor Co., Ltd.	194,000	5,068,682
(Cost $97,679,562)		**136,861,694**
Korea 1.5%		
Hynix Semiconductor, Inc.*	117,000	3,792,095
Hynix Semiconductor, Inc. (GDR) (REG S) 144A*	12,300	389,541
Samsung Electronics Co., Ltd.	8,887	5,648,338
(Cost $4,951,124)		**9,829,974**
Mexico 1.3%		
Fomento Economico Mexicano SA de CV (ADR) (Cost $6,717,429)	97,300	**8,145,956**
Netherlands 0.8%		
ING Groep NV (Cost $4,595,966)	124,300	**4,885,639**
Norway 2.7%		
Aker Kvaerner ASA	53,100	4,981,670
Norsk Hydro ASA	462,350	12,255,257
(Cost $16,423,926)		**17,236,927**
Russia 1.5%		
Novolipetsk Steel (GDR) 144A*	141,435	3,175,216
OAO Gazprom (ADR) (REG S) (b)	142,768	6,003,373
OAO Gazprom (ADR) (REG S) (b)	16,624	699,038
(Cost $5,409,233)		**9,877,627**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Sweden 1.8%		
Assa Abloy AB "B"	364,900	6,135,117
Atlas Copco AB "B"	199,700	5,188,995
(Cost $11,835,092)		**11,324,112**
Switzerland 5.3%		
Novartis AG (Registered)	145,156	7,860,069
Roche Holding AG (Genusschein)	73,637	12,172,948
UBS AG (Registered)	126,351	13,848,950
(Cost $17,702,903)		**33,881,967**
Taiwan 0.7%		
Hon Hai Precision Industry Co., Ltd. (Cost $2,519,510)	737,091	**4,553,106**
Turkey 1.0%		
Turkcell Iletisim Hizmetleri AS	468,100	2,144,534
Turkcell Iletisim Hizmetleri AS (ADR)	210,881	2,501,044
Turkiye Is Bankasi "C"	323,800	1,595,981
(Cost $6,325,864)		**6,241,559**
United Kingdom 16.7%		
AstraZeneca PLC	108,093	6,524,270
BHP Billiton PLC	687,160	13,329,613
BP PLC	509,144	5,936,219
GlaxoSmithKline PLC	215,018	6,007,911
Hammerson PLC	352,598	7,719,972
Imperial Tobacco Group PLC	263,450	8,130,902
Informa PLC	393,080	3,134,688
Kensington Group PLC	158,649	3,021,752
Ladbrokes PLC	679,743	5,122,200
Prudential PLC	889,550	10,050,688
Rolls-Royce Group PLC*	1,273,639	9,750,590
Royal Bank of Scotland Group PLC	406,823	13,375,852
Vodafone Group PLC	3,278,012	6,986,114
Whitbread PLC	360,646	7,776,136
(Cost $88,779,469)		**106,866,907**
Total Common Stocks (Cost $463,256,262)		**616,427,109**

Preferred Stocks 1.5%

	Shares	Value ($)
Germany		
Fresenius AG	28,545	4,755,492
Porsche AG	4,765	4,606,173
Total Preferred Stocks (Cost $8,830,274)		**9,361,665**

Securities Lending Collateral 5.5%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.1% (c) (d) (Cost $35,587,471)	35,587,471	**35,587,471**

Cash Equivalents 2.4%

	Shares	Value ($)
Cash Management QP Trust, 5.07% (e) (Cost $15,638,392)	15,638,392	**15,638,392**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $ 523,312,399)†	105.5	**677,014,637**
Other Assets and Liabilities, Net	(5.5)	**(35,573,029)**
Net Assets	100.0	**641,441,608**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $527,928,918. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $149,085,719. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $159,513,148 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $10,427,429.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $33,934,800 which is 5.3% of net assets.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $472,086,536), including $33,934,800 of securities loaned	$	625,788,774
Investment in Daily Assets Fund Institutional (cost $35,587,471)*		35,587,471
Investment in Cash Management QP Trust (cost $15,638,392)		15,638,392
Total investments in securities, at value (cost $523,312,399)		677,014,637
Foreign currency, at value (cost $1,092,910)		1,071,677
Receivable for investments sold		3,619,462
Dividends receivable		2,504,292
Interest receivable		169,851
Receivable for Portfolio shares sold		195,542
Foreign taxes recoverable		198,314
Other assets		47,300
Total assets		684,821,075
Liabilities		
Due to custodian		6,958
Payable for Portfolio shares redeemed		923,145
Payable for investments purchased		6,340,065
Payable upon return of securities loaned		35,587,471
Accrued management fee		371,983
Accrued distribution service fees (Class B)		8,151
Deferred foreign taxes payable		7,680
Other accrued expenses and payables		134,014
Total liabilities		43,379,467
Net assets, at value	**$**	**641,441,608**
Net Assets		
Net assets consist of:		
Undistributed net investment income		7,826,002
Net unrealized appreciation (depreciation) on:		
Investments		153,702,238
Foreign currency related transactions		(12,257)
Accumulated net realized gain (loss)		(113,941,368)
Paid-in capital		593,866,993
Net assets, at value	**$**	**641,441,608**
Class A		
Net Asset Value, offering and redemption price per share ($599,156,772 ÷ 51,319,003 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.68**
Class B		
Net Asset Value, offering and redemption price per share ($42,284,836 ÷ 3,625,167 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.66**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,199,502)	$	16,029,556
Interest		1,759
Interest — Cash Management QP Trust		342,248
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		568,494
Total Income		16,942,057
Expenses:		
Management fee		2,657,580
Administration fees		51,076
Custodian and accounting fees		350,336
Distribution service fees (Class B)		53,830
Record keeping fees (Class B)		32,017
Auditing		19,818
Legal		42,827
Trustees' fees and expenses		10,317
Reports to shareholders		47,097
Other		32,326
Total expenses before expense reductions		3,297,224
Expense reductions		(8,553)
Total expenses after expense reductions		3,288,671
Net investment income (loss)		**13,653,386**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments (net of foreign taxes of $10,164)		56,831,412
Foreign currency related transactions		(90,522)
		56,740,890
Net unrealized appreciation (depreciation) during the period on:		
Investments (net of deferred foreign taxes of $156,933)		(13,573,405)
Foreign currency related transactions		(12,285)
		(13,585,690)
Net gain (loss) on investment transactions		**43,155,200**
Net increase (decrease) in net assets resulting from operations	**$**	**56,808,586**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 13,653,386	$ 8,859,774
Net realized gain (loss) on investment transactions	56,740,890	53,786,867
Net unrealized appreciation (depreciation) during the period on investment transactions	(13,585,690)	21,680,735
Net increase (decrease) in net assets resulting from operations	56,808,586	84,327,376
Distributions to shareholders from:		
Net investment income:		
Class A	(11,465,310)	(8,620,538)
Class B	(663,494)	(480,677)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	35,207,305	58,844,328
Reinvestment of distributions	11,465,310	8,620,538
Cost of shares redeemed	(46,772,472)	(112,841,762)
Net increase (decrease) in net assets from Class A share transactions	(99,857)	(45,376,896)
Class B		
Proceeds from shares sold	3,153,129	4,971,389
Reinvestment of distributions	663,494	480,677
Cost of shares redeemed	(5,025,624)	(5,251,206)
Net increase (decrease) in net assets from Class B share transactions	(1,209,001)	200,860
Increase (decrease) in net assets	43,370,924	30,050,125
Net assets at beginning of period	598,070,684	568,020,559
Net assets at end of period (including undistributed net investment income of $7,826,002 and $6,301,420, respectively)	**$ 641,441,608**	**$ 598,070,684**

Other Information		
Class A		
Shares outstanding at beginning of period	51,410,562	56,078,328
Shares sold	2,971,785	5,966,433
Shares issued to shareholders in reinvestment of distributions	924,622	946,272
Shares redeemed	(3,987,966)	(11,580,471)
Net increase (decrease) in Class A shares	(91,559)	(4,667,766)
Shares outstanding at end of period	**51,319,003**	**51,410,562**
Class B		
Shares outstanding at beginning of period	3,739,529	3,699,485
Shares sold	265,803	510,934
Shares issued to shareholders in reinvestment of distributions	53,507	52,764
Shares redeemed	(433,672)	(523,654)
Net increase (decrease) in Class B shares	(114,362)	40,044
Shares outstanding at end of period	**3,625,167**	**3,739,529**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$10.85**	**$ 9.50**	**$ 8.26**	**$ 6.52**	**$ 8.05**	**$14.26**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.25	.15	.09	.09	.05	.06
Net realized and unrealized gain (loss) on investment transactions	.80	1.36	1.26	1.70	(1.52)	(3.97)
Total from investment operations	1.05	1.51	1.35	1.79	(1.47)	(3.91)
Less distributions from:						
Net investment income	(.22)	(.16)	(.11)	(.05)	(.06)	(.05)
Net realized gain on investment transactions	—	—	—	—	—	(2.25)
Total distributions	(.22)	(.16)	(.11)	(.05)	(.06)	(2.30)
Net asset value, end of period	**$11.68**	**$10.85**	**$ 9.50**	**$ 8.26**	**$ 6.52**	**$ 8.05**
Total Return (%)	9.59**	16.17	16.53	27.75	(18.37)	(30.86)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	599	558	533	485	412	513
Ratio of expenses before expense reductions (%)	1.00*	1.02	1.04	1.05	1.03	1.01[c]
Ratio of expenses after expense reductions (%)	1.00*	1.02	1.04	1.05	1.03	1.00[c]
Ratio of net investment income (loss) (%)	2.12[d]*	1.59	1.05	1.32	.73	.64
Portfolio turnover rate (%)	94*	59	73	119	123	105

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.00% and 1.00%, respectively.*

d *The ratio for the six months ended June 30, 2006, has not been annualized since the Fund believes it would not be appropriate because the Fund's dividend income is not earned ratably throughout the fiscal year.*

* *Annualized.* ** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$10.82**	**$ 9.48**	**$ 8.24**	**$ 6.50**	**$ 8.03**	**$14.19**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.23	.12	.06	.07	.04	.05
Net realized and unrealized gain (loss) on investment transactions	.79	1.35	1.27	1.71	(1.53)	(3.94)
Total from investment operations	1.02	1.47	1.33	1.78	(1.49)	(3.89)
Less distributions from:						
Net investment income	(.18)	(.13)	(.09)	(.04)	(.04)	(.02)
Net realized gain on investment transactions	—	—	—	—	—	(2.25)
Total distributions	(.18)	(.13)	(.09)	(.04)	(.04)	(2.27)
Net asset value, end of period	**$11.66**	**$10.82**	**$ 9.48**	**$ 8.24**	**$ 6.50**	**$ 8.03**
Total Return (%)	9.31[d]**	15.71[d]	16.24[d]	27.52	(18.62)	(30.81)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	42	40	35	24	8	3
Ratio of expenses before expense reductions (%)	1.40*	1.41	1.38	1.32	1.28	1.26[c]
Ratio of expenses after expense reductions (%)	1.37*	1.37	1.35	1.32	1.28	1.25[c]
Ratio of net investment income (loss) (%)	1.93[e]*	1.24	.74	1.05	.48	.39
Portfolio turnover rate (%)	94*	59	73	119	123	105

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.25% and 1.25%, respectively.*

d *Total return would have been lower had certain expenses not been reduced.*

e *The ratio for the six months ended June 30, 2006, has not been annualized since the Fund believes it would not be appropriate because the Fund's dividend income is not earned ratably throughout the fiscal year.*

* *Annualized.* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Health Care VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$ 970.70	$ 968.80
Expenses Paid per $1,000*	$ 4.35	$ 6.20
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.38	$1,018.50
Expenses Paid per $1,000*	$ 4.46	$ 6.36

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS Health Care VIP	.89%	1.27%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Health Care VIP

In a period when other market sectors overshadowed the performance of health care stocks, DWS Health Care VIP posted a –2.93% return for its most recent semiannual period ended June 30, 2006 (Class A shares, unadjusted for contract charges). In comparison, the S&P 500 Index returned 2.71% and the Goldman Sachs Healthcare Index returned –4.04%.

An area that proved attractive for the Portfolio over the period was non-US pharmaceutical companies, including the Swiss firm Roche Holding AG, which was up strongly. Roche has a rapidly growing franchise within the oncology market and has marketing rights to Genentech, Inc.'s successful portfolio of oncology products in Europe. Within large-cap biotechnology companies in the Portfolio, Celgene Corp., which received very positive clinical results for its product in development for multiple myeloma, was a standout performer. Within the managed care area, UnitedHealth Group, Inc. detracted from performance. Managed care companies as a group have suffered from their inability to raise premiums as much as previously predicted because of the threat of greater competition.

Longer term, we think health care will continue to be attractive for suitable investors, given its positive demographic trends. We expect to see new health care technologies continuing to emerge and increased health care demand from aging baby boomers. In early summer, the market's attention was focused on other industries. When the economy slows, we think that investors will once again gravitate to the health care area and improve the sector's performance.

James E. Fenger
Lead Portfolio Manager

Leefin Lai, CFA, CPA
Portfolio Manager

Thomas Bucher, CFA
Consultant to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. The Portfolio may focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Goldman Sachs Healthcare Index is an unmanaged, market-capitalization-weighted index of 114 stocks designed to measure the performance of companies in the health care sector.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Health Care VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	99%	96%
Cash Equivalents	1%	4%
	100%	100%

Industry Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Pharmaceuticals	34%	35%
Health Care Services	25%	19%
Biotechnology	19%	23%
Medical Supply & Specialty	19%	17%
Hospital Management	2%	3%
Life Sciences Equipment	1%	3%
	100%	100%

Asset allocation and industry diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 38. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on the or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Health Care VIP

	Shares	Value ($)
Common Stocks 98.5%		
Health Care 98.5%		
Biotechnology 19.1%		
Alexion Pharmaceuticals, Inc.*	11,100	400,932
Amgen, Inc.*	33,750	2,201,512
Amylin Pharmaceuticals, Inc.*	14,500	715,865
Arena Pharmaceuticals, Inc.*	41,200	477,096
Biogen Idec, Inc.*	48,920	2,266,464
BioMarin Pharmaceutical, Inc.*	55,800	801,846
Celgene Corp.*	38,600	1,830,798
Coley Pharmaceutical Group, Inc.* (a)	23,400	270,270
Gen-Probe, Inc.*	15,400	831,292
Genentech, Inc.*	28,500	2,331,300
Genmab A/S*	18,900	609,275
Genzyme Corp.*	50,800	3,101,340
Gilead Sciences, Inc.*	38,300	2,265,828
ImClone Systems, Inc.*	11,900	459,816
Keryx Biopharmaceuticals, Inc.*	50,600	718,520
Medicines Co.*	45,900	897,345
Myogen, Inc.*	22,400	649,600
Nuvelo, Inc.*	38,100	634,365
Vertex Pharmaceuticals, Inc.*	34,500	1,266,495
		22,729,959
Health Care Services 24.1%		
Aetna, Inc.	53,800	2,148,234
Allscripts Healthcare Solutions, Inc.* (a)	38,500	675,675
Caremark Rx, Inc.*	52,700	2,628,149
Cerner Corp.*	24,500	909,195
Chemed Corp.	11,100	605,283
Covance, Inc.*	12,000	734,640
Coventry Health Care, Inc.*	23,000	1,263,620
DaVita, Inc.*	18,200	904,540
Eclipsys Corp.*	29,300	532,088
Fisher Scientific International, Inc.*	26,500	1,935,825
Fresenius Medical Care AG & Co.	8,729	1,003,495
HealthExtras, Inc.*	21,300	643,686
Henry Schein, Inc.*	25,400	1,186,942
IMS Health, Inc.	52,900	1,420,365
McKesson Corp.	30,500	1,442,040
Medco Health Solutions, Inc.*	23,984	1,373,804
Patterson Companies, Inc.*	29,900	1,044,407
PSS World Medical, Inc.*	20,500	361,825
Psychiatric Solutions, Inc.*	20,300	581,798
Quality Systems, Inc.	21,900	806,358
UnitedHealth Group, Inc.	74,700	3,345,066
WellPoint, Inc.*	44,200	3,216,434
		28,763,469
Hospital Management 1.9%		
Community Health Systems, Inc.*	60,100	**2,208,675**
Life Sciences Equipment 1.1%		
Charles River Laboratories International, Inc.*	12,100	445,280
PerkinElmer, Inc.	39,800	831,820
		1,277,100
Medical Supply & Specialty 18.7%		
Advanced Medical Optics, Inc.*	18,800	953,160
Alcon, Inc.	12,400	1,222,020
ArthroCare Corp.*	23,100	970,431
Baxter International, Inc.	103,800	3,815,687
Boston Scientific Corp.*	39,200	660,128
C.R. Bard, Inc.	19,900	1,457,874
Cardinal Health, Inc.	23,100	1,486,023
Conor Medsystems, Inc.*	12,400	342,116
Cytyc Corp.*	35,300	895,208
DENTSPLY International, Inc.	23,300	1,411,980
Hologic, Inc.*	13,600	671,296
Hospira, Inc.*	16,300	699,922
Immucor, Inc.*	36,300	698,049
IntraLase Corp.*	30,700	513,918
Kyphon, Inc.*	11,700	448,812
Medtronic, Inc.	33,800	1,585,896
Northstar Neuroscience, Inc.*	17,900	185,802
ResMed, Inc.*	16,900	793,455
Respironics, Inc.*	19,400	663,868
Sirona Dental Systems, Inc.	18,900	748,818
SonoSite, Inc.*	16,500	644,160
Viasys Healthcare, Inc.*	24,300	622,080
Zimmer Holdings, Inc.*	14,400	816,768
		22,307,471
Pharmaceuticals 33.6%		
Abbott Laboratories	80,300	3,501,883
Allergan, Inc.	5,900	632,834
Astellas Pharma, Inc.	46,000	1,688,221
AstraZeneca PLC	28,980	1,749,173
AVANIR Pharmaceuticals "A"* (a)	52,750	360,810
Barr Pharmaceuticals, Inc.*	15,700	748,733
Cardiome Pharma Corp.*	58,400	516,256
Eli Lilly & Co.	21,100	1,166,197
Endo Pharmaceuticals Holdings, Inc.*	28,000	923,440
Forest Laboratories, Inc.*	21,500	831,835
Johnson & Johnson	63,000	3,774,960
Merck KGaA (a)	13,000	1,182,226
New River Pharmaceuticals, Inc.* (a)	25,700	732,450
Novartis AG (Registered)	69,696	3,773,977
Pfizer, Inc.	125,340	2,941,730
Roche Holding AG (Genusschein)	22,898	3,785,273
Sanofi-Aventis	19,024	1,856,582
Schering-Plough Corp.	146,300	2,784,089
Schwarz Pharma AG (a)	17,667	1,585,856
Shire PLC (ADR)	21,100	933,253
Stada Arzneimittel AG	15,000	598,212
Teva Pharmaceutical Industries Ltd. (ADR)	32,100	1,014,039
Wyeth	66,100	2,935,501
		40,017,530
Total Common Stocks (Cost $92,050,490)		**117,304,204**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Securities Lending Collateral 3.0%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $3,541,775)	3,541,775	**3,541,775**
Cash Equivalents 0.9%		
Cash Management QP Trust, 5.07% (d) (Cost $1,145,626)	1,145,626	**1,145,626**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $ 96,737,891)†	102.4	**121,991,605**
Other Assets and Liabilities, Net	(2.4)	**(2,869,677)**
Net Assets	100.0	**119,121,928**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $97,134,900. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $24,856,705. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $27,459,918 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,603,213.*

(a) *All or a portion of these securities were on loan (See Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $3,397,893 which is 2.9% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $92,050,490), including $3,397,893 of securities loaned	$	117,304,204
Investment in Daily Assets Fund Institutional (cost $3,541,775)*		3,541,775
Investment in Cash Management QP Trust (cost $1,145,626)		1,145,626
Total investments in securities, at value (cost $96,737,891)		121,991,605
Foreign currency, at value (cost $557,638)		578,751
Receivable for investments sold		191,964
Dividends receivable		10,810
Interest receivable		9,518
Foreign taxes recoverable		12,259
Other assets		123
Total assets		122,795,030

Liabilities		
Payable for Portfolio shares redeemed		14,562
Payable upon return of securities loaned		3,541,775
Accrued management fee		61,882
Accrued distribution service fees (Class B)		6,229
Other accrued expenses and payables		48,654
Total liabilities		3,673,102
Net assets, at value	**$**	**119,121,928**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(42,198)
Net unrealized appreciation (depreciation) on:		
Investments		25,253,714
Foreign currency related transactions		21,105
Accumulated net realized gain (loss)		2,656,607
Paid-in capital		91,232,700
Net assets, at value	**$**	**119,121,928**
Class A		
Net Asset Value, offering and redemption price per share ($98,103,148 ÷ 7,789,354 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.59**
Class B		
Net Asset Value, offering and redemption price per share ($21,018,780 ÷ 1,691,710 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.42**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $29,850)	$	522,413
Interest		188
Interest — Cash Management QP Trust		26,531
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		23,685
Total Income		572,817
Expenses:		
Management fee		467,200
Administration fees		9,659
Custodian and accounting fees		37,917
Distribution service fees (Class B)		27,744
Record keeping fees (Class B)		14,548
Auditing		13,507
Legal		2,510
Trustees' fees and expenses		2,519
Reports to shareholders		22,276
Other		9,988
Total expenses before expense reductions		607,868
Expense reductions		(1,835)
Total expenses after expense reductions		606,033
Net investment income (loss)		**(33,216)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		3,239,898
Foreign currency related transactions		6,788
		3,246,686
Net unrealized appreciation (depreciation) during the period on:		
Investments		(6,835,332)
Foreign currency related transactions		27,495
		(6,807,837)
Net gain (loss) on investment transactions		**(3,561,151)**
Net increase (decrease) in net assets resulting from operations	**$**	**(3,594,367)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ (33,216)	$ (311,861)
Net realized gain (loss) on investment transactions	3,246,686	5,764,320
Net unrealized appreciation (depreciation) during the period on investment transactions	(6,807,837)	4,952,369
Net increase (decrease) in net assets resulting from operations	(3,594,367)	10,404,828
Distributions to shareholders from:		
Net realized gains:		
Class A	(391,880)	—
Class B	(84,353)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	1,814,982	8,840,510
Reinvestment of distributions	391,880	—
Cost of shares redeemed	(9,899,293)	(17,288,593)
Net increase (decrease) in net assets from Class A share transactions	(7,692,431)	(8,448,083)
Class B		
Proceeds from shares sold	1,435,444	4,364,689
Reinvestment of distributions	84,353	—
Cost of shares redeemed	(2,561,172)	(3,728,727)
Net increase (decrease) in net assets from Class B share transactions	(1,041,375)	635,962
Increase (decrease) in net assets	(12,804,406)	2,592,707
Net assets at beginning of period	131,926,334	129,333,627
Net assets at end of period (including accumulated net investment loss of $42,198 and $8,982, respectively)	**$ 119,121,928**	**$ 131,926,334**

Other Information		
Class A		
Shares outstanding at beginning of period	8,377,800	9,070,686
Shares sold	140,778	715,380
Shares issued to shareholders in reinvestment of distributions	30,640	—
Shares redeemed	(759,864)	(1,408,266)
Net increase (decrease) in Class A shares	(588,446)	(692,886)
Shares outstanding at end of period	**7,789,354**	**8,377,800**
Class B		
Shares outstanding at beginning of period	1,772,301	1,720,377
Shares sold	113,151	357,712
Shares issued to shareholders in reinvestment of distributions	6,684	—
Shares redeemed	(200,426)	(305,788)
Net increase (decrease) in Class B shares	(80,591)	51,924
Shares outstanding at end of period	**1,691,710**	**1,772,301**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001[b]
Selected Per Share Data						
Net asset value, beginning of period	**$13.02**	**$12.00**	**$10.95**	**$ 8.19**	**$10.65**	**$10.00**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.00[e]	(.02)	(.03)	(.02)	(.03)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.38)	1.04	1.08	2.78	(2.43)	.67
Total from investment operations	(.38)	1.02	1.05	2.76	(2.46)	.65
Less Distributions from:						
Net realized gain on transactions	(.05)	—	—	—	—	—
Net asset value, end of period	**$12.59**	**$13.02**	**$12.00**	**$10.95**	**$ 8.19**	**$10.65**
Total Return (%)	(2.93)**	8.50	9.59	33.70	(23.10)	6.50[d]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	98	109	109	101	69	56
Ratio of expenses before expense reductions (%)	.89*	.88	.88	.87	.91	1.40*
Ratio of expenses after expense reductions (%)	.89*	.88	.88	.87	.91	.95*
Ratio of net investment income (loss) (%)	.01*	(.18)	(.29)	(.24)	(.38)	(.25)*
Portfolio turnover rate (%)	64*	43	77	64	53	34*

a *For the six months ended June 30, 2006 (Unaudited).*

b *For the period May 1, 2001 (commencement of operations of Class A shares) to December 31, 2001.*

c *Based on average shares outstanding during the period.*

d *Total return would have been lower had certain expenses not been reduced.*

e *Amount is less than $.005.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$12.87**	**$11.91**	**$10.91**	**$ 8.19**	**$ 8.09**
Income (loss) from investment operations:					
Net investment income (loss)[c]	(.02)	(.07)	(.08)	(.07)	(.04)
Net realized and unrealized gain (loss) on investment transactions	(.38)	1.03	1.08	2.79	.14
Total from investment operations	(.40)	.96	1.00	2.72	.10
Less Distributions from:					
Net realized gain on transactions	(.05)	—	—	—	—
Net asset value, end of period	**$12.42**	**$12.87**	**$11.91**	**$10.91**	**$ 8.19**
Total Return (%)	(3.12)**	8.06	9.17	33.21	1.24**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	21	23	20	11	.3
Ratio of expenses (%)	1.27*	1.27	1.27	1.26	1.16*
Ratio of net investment income (loss) (%)	(.37)*	(.57)	(.68)	(.63)	(.92)*
Portfolio turnover rate (%)	64*	43	77	64	53

a *For the six months ended June 30, 2006 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

* *Annualized* ** *Not annualized*

A. Significant Accounting Policies

DWS Variable Series I (the "Series") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, registered management investment company organized as a Massachusetts business trust. The Series consists of seven diversified portfolios: Money Market VIP, DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios"). The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Series offers one class of shares for the Money Market VIP and two classes of shares (Class A shares and Class B shares) for each of the other Portfolios. Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fee and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Series' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Series in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Series. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Series may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange.

Securities Lending. Each Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to an Exemptive Order issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the Portfolio if the option is exercised. Each Portfolio may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets; as a temporary substitute for selling selected investments; to lock in the purchase price of a security or currency which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments; and to enhance potential gain.

The liability representing the Portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked prices are available. Over-the-counter written or purchased options are valued using dealer supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the Portfolio writes a covered call option, the Portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Portfolio writes a put option it accepts the risk of a decline in the market value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Foreign Currency Translations. The books and records of the Portfolios are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The Portfolios may enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Repurchase Agreements. Each Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodial bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolio has the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolio's claims on the collateral may be subject to legal proceedings.

Federal Income Taxes. Each Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is each Portfolio's policy to comply with the requirements of the Internal Revenue Code, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares. Accordingly, the Portfolios paid no federal income taxes and no federal income tax provision was required.

Additionally, based on the Series' understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which each Portfolio invests, the Series will provide for foreign taxes, and where appropriate, deferred foreign taxes.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for the Portfolio a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether the Portfolio is taxable in certain jurisdictions), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006. Management will begin to evaluate the application of the Interpretation to each Portfolio and is not in a position at this time to estimate the significance of its impact, if any, on each Portfolio's financial statements.

At December 31, 2005, the following Portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforwards ($)	Expiration Date
DWS Growth & Income VIP	7,548,000	12/31/2009
	15,651,000	12/31/2010
	7,030,000	12/31/2011
DWS Capital Growth VIP	647,000	12/31/2007
	83,834,000	12/31/2008
	51,869,000	12/31/2009
	132,940,000	12/31/2010
	67,497,000	12/31/2011
	28,617,000	12/31/2012
DWS Global Opportunities VIP	8,289,000	12/31/2010
	5,230,000	12/31/2011
DWS International VIP	49,645,000	12/31/2009
	105,374,000	12/31/2010
	13,952,000	12/31/2011

The DWS Capital Growth VIP inherited approximately $176,061,000 of its capital loss carryforward from its merger with the SVS II Eagle Focused Large Cap Growth Portfolio ($22,474,000) and SVS II Growth Portfolio ($153,587,000) (Note I), which is included in the table above and may be applied against net realized taxable gains. The Portfolio utilized approximately $456,000 and $10,428,000 of the inherited amounts from SVS II Eagle Focused Large Cap Growth Portfolio and SVS II Growth Portfolio, respectively, which is also included in the table above. Due to certain limitations under Sections 381–384 of the Internal Revenue Code, approximately $32,647,000 of the losses from SVS II Growth Portfolio cannot be used. At December 31, 2005 the Portfolio had a remaining net tax basis capital loss carryforward of $132,529,000 inherited from its mergers, which may be applied against any net realized taxable gains of each succeeding year until fully utilized or until December 31, 2007 ($647,000), December 31, 2008 ($83,834,000), December 31, 2009 ($33,831,000), December 31, 2010 ($11,910,000) and December 31, 2011 ($2,307,000), the respective expiration dates, whichever occurs first.

The DWS Growth & Income VIP inherited approximately $18,794,000 of its capital loss carryforward from its merger with the SVS II Focus Value & Growth Portfolio (Note I), which is included in the table above and may be applied against net realized taxable gains. The Portfolio utilized approximately $3,700,000 of the inherited amount which is also included in the table above. At December 31, 2005 the Portfolio had a remaining net tax basis capital loss carryforward of $15,094,000 inherited from its merger, which may be applied against any net realized taxable gains of each succeeding year until fully utilized or until December 31, 2009 ($7,548,000), and December 31, 2010 ($7,546,000) the respective expiration dates, whichever occurs first.

In addition, from November 1, 2005 through December 31, 2005, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP incurred approximately $5,800, $12,000, $96,000 and $8,982, respectively, of net realized currency losses. As permitted by tax regulations, the Portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2006.

Distribution of Income and Gains. The Portfolios will declare and distribute dividends from their net investment income, if any, annually, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in forward foreign currency exchange contracts, passive foreign investment companies, post October loss deferrals and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions, if any, will be determined at the end of the fiscal year.

Contingencies. In the normal course of business, each Portfolio may enter into contracts with service providers that contain general indemnification clauses. Each Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against each Portfolio that have not yet been made. However, based on experience, each Portfolio expects the risk of loss to be remote.

Expenses. Expenses of the Series arising in connection with a specific Portfolio are allocated to that Portfolio. Other Series expenses which cannot be directly attributed to a Portfolio are apportioned among the Portfolios in the Series.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Purchases and Sales of Securities

During the six months ended June 30, 2006, purchases and sales of investment securities (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Growth & Income VIP	188,442,858	213,681,134
DWS Capital Growth VIP	81,185,296	170,120,081
DWS Global Opportunities VIP	69,267,069	72,537,941
DWS International VIP	297,909,988	306,453,285
DWS Health Care VIP	40,243,708	45,445,485

For the six months ended June 30, 2006, transactions for written options were as follows for the DWS Growth & Income VIP:

	Contract Amounts	Premium ($)
Beginning of period	—	—
Options written	304	193,785
Options exercised	—	—
Options closed	304	193,785
Options expired	—	—
End of period	—	—

C. Related Parties

Under the Amended and Restated Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolios in accordance with their investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolios.

Prior to June 1, 2006, in addition to the portfolio management services, the Advisor provided certain administrative services in accordance with the Management Agreement. For the period January 1, 2006 through May 31, 2006, each Portfolio paid a monthly investment management fee, based on the average net assets of each Portfolio, accrued daily and payable monthly, at the annual rate shown below:

Portfolio	Annual Management Fee Rate
DWS Growth & Income VIP	
first $250 million of average daily net assets	.475%
next $750 million of average daily net assets	.450%
over $1 billion of average daily net assets	.425%
DWS Capital Growth VIP	
first $250 million of average daily net assets	.475%
next $750 million of average daily net assets	.450%
over $1 billion of average daily net assets	.425%
DWS Global Opportunities VIP	.975%
DWS International VIP	
first $500 million of average daily net assets	.875%
over $500 million of average daily net assets	.725%
DWS Health Care VIP	
first $250 million of average daily net assets	.750%
next $750 million of average daily net assets	.725%
next $1.5 billion of average daily net assets	.700%
next $2.5 billion of average daily net assets	.680%
next $2.5 billion of average daily net assets	.650%
next $2.5 billion of average daily net assets	.640%
next $2.5 billion of average daily net assets	.630%
over $12.5 billion of average daily net assets	.620%

Effective June 1, 2006, under the Amended and Restated Management Agreement with the Advisor, the Portfolios pay a monthly investment management fee, based on the average daily net assets of each Portfolio, accrued daily and payable monthly, at the annual rate shown below:

Portfolio	Annual Management Fee Rate
DWS Growth & Income VIP	
first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Capital Growth VIP	
first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Global Opportunities VIP	
first $500 million of average daily net assets	.890%
next $500 million of average daily net assets	.875%
next $1 billion of average daily net assets	.860%
over $2 billion of average daily net assets	.845%
DWS International VIP	
first $500 million of average daily net assets	.790%
over $500 million of average daily net assets	.640%

Portfolio	Annual Management Fee Rate
DWS Health Care VIP	
first $250 million of average daily net assets	.665%
next $750 million of average daily net assets	.640%
next $1.5 billion of average daily net assets	.615%
next $2.5 billion of average daily net assets	.595%
next $2.5 billion of average daily net assets	.565%
next $2.5 billion of average daily net assets	.555%
next $2.5 billion of average daily net assets	.545%
over $12.5 billion of average daily net assets	.535%

The Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period January 1, 2006 to May 31, 2006 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annualized Rate
DWS Growth & Income VIP Class A	.54%
DWS Growth & Income VIP Class B	.89%
DWS Capital Growth VIP Class A	.49%
DWS Capital Growth VIP Class B	.86%
DWS Global Opportunities VIP Class A	1.24%
DWS Global Opportunities VIP Class B	1.24%
DWS International VIP Class A	1.37%
DWS International VIP Class B	1.37%
DWS Health Care VIP Class A	.95%
DWS Health Care VIP Class B	1.35%

In addition, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period June 1, 2006 to September 30, 2006 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annualized Rate
DWS Growth & Income VIP Class A	.54%
DWS Growth & Income VIP Class B	.89%
DWS Capital Growth VIP Class A	.49%
DWS Capital Growth VIP Class B	.86%
DWS Global Opportunities VIP Class A	1.10%
DWS Global Opportunities VIP Class B	1.24%
DWS International VIP Class A	1.15%
DWS International VIP Class B	1.55%
DWS Health Care VIP Class A	1.14%
DWS Health Care VIP Class B	1.54%

In addition, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period January 1, 2006 to April 30, 2008 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annualized Rate
DWS Growth & Income VIP Class A	.54%
DWS Growth & Income VIP Class B	.89%
DWS Capital Growth VIP Class A	.49%
DWS Capital Growth VIP Class B	.86%

In addition, the Advisor has contractually agreed to waive 0.01% of the management fee for the DWS Growth & Income VIP.

Accordingly, for the six months ended June 30, 2006, the Portfolios waived a portion of their management fees as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Growth & Income VIP	740,073	38,673	.43%
DWS Capital Growth VIP	2,367,881	106,267	.42%
DWS Global Opportunities VIP	1,643,820	—	.96%
DWS International VIP	2,657,580	—	.83%
DWS Health Care VIP	467,200	—	.74%

In addition, for the six months ended June 30, 2006, the Portfolios waived other expenses as follows:

Portfolio	Other Expenses Waived ($)
DWS Growth & Income VIP Class B	5,691
DWS Capital Growth VIP Class B	6,667
DWS Global Opportunities VIP Class B	46,302
DWS International VIP Class B	5,550

Administrative Services Fee. Effective June 1, 2006, the Series entered into a Administrative Services Agreement with the Advisor, pursuant to which the Advisor provides most administrative services to the Series. For all services provided under the Administrative Services Agreement, each Portfolio pays the Advisor a fee of 0.10% of each Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the period June 1, 2006 to June 30, 2006, the amount charged to the Portfolio by the Advisor was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2006 ($)
DWS Growth & Income VIP	25,528	25,528
DWS Capital Growth VIP	82,307	82,307
DWS Global Opportunities VIP	26,988	26,988
DWS International VIP	51,076	51,076
DWS Health Care VIP	9,659	9,659

Service Provider Fees. DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of each portfolio. In turn, DWS-SFAC has delegated certain fund accounting functions to a third-party service provider. Effective June 1, 2006, these fees are now paid under the Administrative Services Agreement. For the period from January 1, 2006 to May 31, 2006, DWS-SFAC received the following fee for its services for the following portfolios:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2006 ($)
DWS Growth & Income VIP	36,325	1,416
DWS Capital Growth VIP	69,473	2,089
DWS Global Opportunities VIP	107,325	2,119
DWS International VIP	186,914	1,407
DWS Health Care VIP	27,283	—

DWS Scudder Investments Service Company, an affiliate of the Advisor, is the transfer agent and dividend-paying agent of the Series. These affiliated entities have in turn entered into various agreements with third-party service providers to provide these services.

DWS Scudder Distributors, Inc. ("DWS-SDI"), also an affiliate of the Advisor, is the Series' Distributor. In accordance with the Master Distribution Plan, DWS-SDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, DWS-SDI remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. These fees are detailed in each Portfolio's Statement of Operations.

Typesetting and Filing Service Fees. Under an agreement with DeIM, the Advisor is compensated for providing typesetting and certain regulatory filing services to the Portfolios. For the six months ended June 30, 2006, the amount charged to the Portfolios by DeIM included in reports to shareholders were as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2006 ($)
DWS Growth & Income VIP	3,485	1,817
DWS Capital Growth VIP	3,485	1,817
DWS Global Opportunities VIP	3,485	1,817
DWS International VIP	3,485	1,817
DWS Health Care VIP	3,485	1,817

Trustees' Fees and Expenses. As compensation for his or her services, each Independent Trustee receives an aggregated annual fee, plus a fee for each meeting attended (plus reimbursement for reasonable out-of-pocket expenses incurred in connection with his or her attendance at board and committee meetings) from each fund in the Fund Complex for which he or she serves. In addition, the Chairman of the Board and the Chairman of each committee of the Board receive additional compensation for their services. Payment of such fees and expenses is allocated among all such funds described above in direct proportion to their relative net assets.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Series may invest in the Cash Management QP Trust (the "QP Trust"), and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, delayed settlements and their prices more volatile than those of comparable securities in the United States of America.

E. Expense Reductions

For the six months ended June 30, 2006, the Advisor agreed to reimburse the Portfolios a portion of the fee savings expected to be realized by the Advisor related to the outsourcing by the Advisor of certain administrative services to an unaffiliated service provider as follows:

Portfolio	Amount ($)
DWS Growth & Income VIP	5,783
DWS Capital Growth VIP	17,194
DWS Global Opportunities VIP	3,467
DWS International VIP	3,003
DWS Health Care VIP	1,767

In addition, DWS Growth & Income VIP, DWS Capital Growth VIP and DWS Health Care VIP have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Portfolios' expenses. During the six months ended June 30, 2006, the custodian fees were reduced as follows:

Portfolio	Custody Credits ($)
DWS Growth & Income VIP	22
DWS Capital Growth VIP	19
DWS Health Care VIP	68

F. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolios was as follows:

DWS Growth & Income VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 28%, 27% and 16%. Two participating insurance companies were owners of record, each owning 68% and 23% of the total outstanding Class B shares of the Portfolio.

DWS Capital Growth VIP: Five participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 30%, 19%, 12%, 11% and 10%. Two participating insurance companies were owners of record, each owning 81% and 17% of the total outstanding Class B shares of the Portfolio.

DWS Global Opportunities VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 59%, 19% and 10%. Two participating insurance companies were owners of record, each owning 65% and 19% of the total outstanding Class B shares of the Portfolio.

DWS International VIP: Two participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 32% and 20%. Two participating insurance companies were owners of record, each owning 82% and 16% of the total outstanding Class B shares of the Portfolio.

DWS Health Care VIP: Two participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 79% and 20%. Two participating insurance companies were owners of record, each owning 75% and 25% of the total outstanding Class B shares of the Portfolio.

G. Line of Credit

The Series and several other affiliated funds (the "Participants") share in a $750 million revolving credit facility administered by JPMorgan Chase Bank N.A. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

H. Regulatory Matters and Litigation

Market Timing Related Regulatory and Litigation Matters. Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors.

With respect to the lawsuits, based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the funds as follows:

> DeAM expects to reach final agreements with regulators in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.
>
> Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into

account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999–2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants.

Other Regulatory Matters. DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001–2003 with respect to directing brokerage commissions for portfolio transactions by certain DWS funds to broker-dealers that sold shares in the DWS funds and provided enhanced marketing and distribution for shares in the DWS funds. In addition, DWS Scudder Distributors, Inc. is in settlement discussions with the Enforcement Staff of the NASD regarding DWS Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as DWS Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons.

I. Acquisition of Assets

On April 29, 2005, the DWS Growth & Income VIP acquired all of the net assets of SVS Focus Value+Growth Portfolio pursuant to a plan of reorganization approved by shareholders on April 20, 2005. The acquisition was accomplished by a tax-free exchange of 7,630,195 Class A shares and 797,917 Class B shares of the SVS Focus Value+Growth Portfolio, respectively, for 11,366,540 Class A shares and 1,191,379 Class B shares of DWS Growth & Income VIP, respectively, outstanding on April 29, 2005. SVS Focus Value+Growth Portfolio's net assets at that date of $109,496,717, including $2,627,352 of net unrealized appreciation, were combined with those of the DWS Growth & Income VIP. The aggregate net assets of the DWS Growth & Income VIP immediately before the acquisition were $196,724,411. The combined net assets of the DWS Growth & Income VIP immediately following the acquisition were $306,221,128.

On April 29, 2005, the DWS Capital Growth VIP acquired all of the net assets of Scudder Growth Portfolio and SVS Eagle Focused Large Cap Growth Portfolio pursuant to a plan of reorganization approved by shareholders on April 20, 2005. The acquisition was accomplished by a tax-free exchange of 13,922,674 Class A shares and 864,495 Class B shares of the Scudder Growth Portfolio and 9,460,787 Class A shares and 3,575,054 Class B shares of the SVS Eagle Focused Large Cap Growth Portfolio, respectively, for 17,164,853 Class A shares and 1,066,401 Class B shares and 5,035,742 Class A shares and 1,896,817 of Class B shares of the DWS Capital Growth VIP, respectively, outstanding on April 29, 2005. Scudder Growth Portfolio and SVS Eagle Focused Large Cap Growth Portfolio's net assets at that date of $275,619,467 and $104,748,174, respectively, including $53,072,812 and $4,059,393, respectively, of net unrealized appreciation, were combined with those of the DWS Capital Growth VIP. The aggregate net assets of the DWS Capital Growth VIP immediately before the acquisition were $680,032,918. The combined net assets of the DWS Capital Growth VIP immediately following the acquisition were $1,060,400,559.

J. Payments Made by Affiliates

During the six months ended June 30, 2006, the Advisor fully reimbursed DWS International VIP $39,270 for losses incurred on trades executed incorrectly. The amount of the losses were less than .01% of the Portfolio's average net assets, thus having no impact on the Portfolio's total return.

Other Information

Additional information announced by Deutsche Asset Management regarding the terms of the expected settlements referred to in the Market Timing Related Regulatory and Litigation Matters and Other Regulatory Matters in the Notes to Financial Statements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Proxy Voting

A description of the Series' policies and procedures for voting proxies for portfolio securities and information about how the Series voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Series' policies and procedures without charge, upon request, call us toll free at 1-800-621-1048.

Shareholder Meeting Results

A Special Meeting of shareholders (the "Meeting") of DWS Variable Series I (the "Fund") was held on May 5, 2006, at the offices of Deutsche Asset Management, 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted upon by the shareholders (the resulting votes are presented below).

I. Election of Trustees. ("Number of Votes" represents all Portfolios that are series of DWS Variable Series I.)

	Number of Votes:	
	For	Withheld
Henry P. Becton, Jr.	246,243,890.613	11,464,054.207
Dawn-Marie Driscoll	246,784,885.647	10,923,059.173
Keith R. Fox	246,426,733.548	11,281,211.272
Kenneth C. Froewiss	246,098,780.117	11,609,164.703
Martin J. Gruber	244,123,986.271	13,583,958.549
Richard J. Herring	246,331,840.162	11,376,104.658
Graham E. Jones	244,423,720.630	13,284,224.190
Rebecca W. Rimel	246,950,363.208	10,757,581.612
Philip Saunders, Jr.	246,296,885.694	11,411,059.126
William N. Searcy, Jr.	244,528,912.271	13,179,032.549
Jean Gleason Stromberg	246,942,188.670	10,765,756.150
Carl W. Vogt	246,268,998.229	11,438,946.591
Axel Schwarzer	244,613,655.081	13,094,289.739

II-A. Approval of an Amended and Restated Investment Management Agreement with Deutsche Asset Management, Inc. for DWS Growth & Income VIP.

	Number of Votes:	
Affirmative	Against	Abstain
25,576,930.964	1,288,307.427	2,146,668.280

II-A. Approval of an Amended and Restated Investment Management Agreement with Deutsche Asset Management, Inc. for DWS Capital Growth VIP.

	Number of Votes:	
Affirmative	Against	Abstain
57,137,676.613	2,623,193.222	3,541,059.574

II-A. Approval of an Amended and Restated Investment Management Agreement with Deutsche Asset Management, Inc. for DWS Global Opportunities VIP.

	Number of Votes:	
Affirmative	Against	Abstain
18,769,346.768	727,197.778	1,684,461.376

II-A. Approval of an Amended and Restated Investment Management Agreement with Deutsche Asset Management, Inc. for DWS International VIP.

	Number of Votes:	
Affirmative	Against	Abstain
48,706,776.927	1,713,365.899	3,325,230.355

II-A. Approval of an Amended and Restated Investment Management Agreement with Deutsche Asset Management, Inc. for DWS Health Care VIP.

Number of Votes:		
Affirmative	Against	Abstain
8,967,442.168	295,934.152	746,054.806

II-B. Approval of a Subadvisor Approval Policy for DWS Growth & Income VIP.

Number of Votes:		
Affirmative	Against	Abstain
25,425,445.270	1,443,361.460	2,143,099.941

II-B. Approval of a Subadvisor Approval Policy for DWS Capital Growth VIP.

Number of Votes:		
Affirmative	Against	Abstain
57,418,675.764	2,574,301.354	3,308,952.291

II-B. Approval of a Subadvisor Approval Policy for DWS Global Opportunities VIP.

Number of Votes:		
Affirmative	Against	Abstain
18,699,687.613	881,549.357	1,599,768.952

II-B. Approval of a Subadvisor Approval Policy for DWS International VIP.

Number of Votes:		
Affirmative	Against	Abstain
48,487,862.320	1,963,552.110	3,293,958.751

II-B. Approval of a Subadvisor Approval Policy for DWS Health Care VIP.

Number of Votes:		
Affirmative	Against	Abstain
8,909,080.564	344,153.681	756,196.881

III-A. Approval of a Revised Fundamental Investment Restriction Regarding Commodities for DWS Growth & Income VIP.

Number of Votes:		
Affirmative	Against	Abstain
25,352,745.965	1,545,970.421	2,113,190.285

III-A. Approval of a Revised Fundamental Investment Restriction Regarding Commodities for DWS Capital Growth VIP.

Number of Votes:		
Affirmative	Against	Abstain
55,604,432.318	4,488,441.246	3,209,055.845

III-A. Approval of a Revised Fundamental Investment Restriction Regarding Commodities for DWS Global Opportunities VIP.

Number of Votes:		
Affirmative	Against	Abstain
18,725,151.834	782,459.920	1,673,394.168

III-A. Approval of a Revised Fundamental Investment Restriction Regarding Commodities for DWS International VIP.

Number of Votes:		
Affirmative	Against	Abstain
48,498,956.884	2,155,582.935	3,090,833.362

III-A. Approval of a Revised Fundamental Investment Restriction Regarding Commodities for DWS Health Care VIP.

Number of Votes:		
Affirmative	Against	Abstain
9,105,661.942	196,429.088	707,340.096

IV-A. Approval of Amended and Restated Declaration of Trust. ("Number of Votes" represents all Portfolios that are series of DWS Variable Series I.)

Number of Votes:		
Affirmative	Against	Abstain
232,752,692.416	9,997,994.492	14,957,257.912

IV-B. Approval of Future Amendments to the Amended and Restated Declaration of Trust. ("Number of Votes" represents all Portfolios that are series of DWS Variable Series I.)

Number of Votes:		
Affirmative	Against	Abstain
225,679,292.912	11,507,795.894	20,520,856.014

Notes

About the Portfolio's Advisor

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

DWS Scudder Distributors, Inc.
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VS1-V-3 (8/06)

DWS SCUDDER
Deutsche Bank Group

JUNE 30, 2006

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Balanced VIP

DWS Blue Chip VIP

DWS Core Fixed Income VIP

DWS Davis Venture Value VIP

DWS Dreman Financial Services VIP

DWS Dreman High Return Equity VIP

DWS Dreman Small Cap Value VIP

DWS Global Thematic VIP

DWS Government & Agency Securities VIP

DWS High Income VIP

DWS International Select Equity VIP

DWS Janus Growth & Income VIP

DWS Janus Growth Opportunities VIP

DWS Large Cap Value VIP

DWS Legg Mason Aggressive Growth VIP
(formerly DWS Salomon Aggressive Growth VIP)

DWS Mid Cap Growth VIP

DWS Money Market VIP

DWS Oak Strategic Equity VIP

DWS Small Cap Growth VIP

DWS Strategic Income VIP

DWS Technology VIP

DWS Turner Mid Cap Growth VIP

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER
Deutsche Bank Group

Contents

Information About Your Portfolio's Expenses, Management Summary, Portfolio Summary, Investment Portfolio, Financial Statements and Financial Highlights for:

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus, call (800) 778-1482 or your financial representative. We advise you to carefully consider the product's objectives, risks, charges and expenses before investing. The prospectus contains this and other important information about the product. Please read the prospectus carefully before you invest.

NOT FDIC/NCUA INSURED   NO BANK GUARANTEE   MAY LOSE VALUE   NOT A DEPOSIT
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

Information About Your Portfolio's Expenses

DWS Balanced VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses, had they not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,016.80	$1,014.60
Expenses Paid per $1,000*	$ 2.55	$ 4.45
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,022.27	$1,020.38
Expenses Paid per $1,000*	$ 2.56	$ 4.46

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Balanced VIP	.51%	.89%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Balanced VIP

Despite rising interest rates and concerns about inflation, the US economy continued to expand in the first half of 2006, benefiting from strength in both business investment and consumer spending. Returns varied considerably among asset classes. Small-cap stocks (as measured by the Russell 2000 Index, with a return of 8.21%) and large-cap value stocks (as measured by the Russell 1000 Value Index, with a return of 6.56%) were strongly positive, while large-cap growth stocks (as measured by the Russell 1000 Growth Index) had a return of –0.93%. High-yield bonds (measured by the Credit Suisse High Yield Index) returned 3.49%, while investment-grade bonds, measured by the Lehman Brothers Aggregate Bond Index, returned –0.72%.

For the six months ended June 30, 2006, the DWS Balanced VIP Portfolio had a return of 1.68% (Class A shares, unadjusted for contract charges.) Since this Portfolio invests in a blend of equity and bond securities, the Portfolio's return during this period was between those of the major equity and bond benchmarks. The Portfolio's Lipper peer group of balanced funds had an average return of 1.63%.

The Portfolio's strategic asset allocation is 25% large-cap growth stocks, 25% large-cap value stocks, 10% small-cap stocks, 30% investment-grade bonds, and 10% high-yield bonds. An overweight in equities and corresponding underweight in bonds throughout the period was positive for performance. The Portfolio began the six-month period with a significant overweight in large-cap growth; this overweight was reduced gradually, but it hurt performance, since large-cap value outperformed large-cap growth. Also our underweight in small caps relative to large caps hurt performance since small caps outperformed large caps (as measured by the Russell 1000 Index) for the six months ended June 30, 2006. An increase in the allocation to large-cap value in May and June contributed to performance.

William Chepolis, CFA	Inna Okounkova	Gary Sullivan, CFA	Robert Wang
Matthew F. MacDonald	Thomas F. Sassi	Julie M. Van Cleave, CFA	

Portfolio Managers, Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $664.9 million; the median market capitalization was approximately $539.5 million. The largest company in the index had an approximate market capitalization of $1.8 billion.

The Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values.

The unmanaged Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Credit Suisse High Yield Index is an unmanaged, unleveraged, trader-priced portfolio constructed to mirror the global high-yield debt market.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $13.0 billion; the median market capitalization was approximately $4.6 billion. The smallest company in the index had an approximate market capitalization of $1.8 billion.

The Lehman Brothers Aggregate Bond Index is an unmanaged, market-value-weighted measure of treasury issues, agency issues, corporate bond issues and mortgage securities.

Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Lipper Balanced Fund category includes funds whose primary objective is to conserve principal by maintaining at all times a balanced portfolio of both stocks and bonds. Typically, the stock/bond ratio ranges around 60%/40%. It is not possible to invest directly in a Lipper category.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Balanced VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	59%	58%
Corporate Bonds	12%	12%
Commercial and Non-Agency Mortgage Backed Securities	11%	7%
US Treasury Obligations	4%	3%
Cash Equivalents	4%	5%
Foreign Bonds — US$ Denominated	2%	3%
US Government Agency Sponsored Pass-Throughs	2%	2%
Municipal Bonds and Notes	2%	2%
Collateralized Mortgage Obligations	2%	5%
Asset Backed	1%	2%
Preferred Stocks	1%	—
US Government Sponsored Agencies	—	1%
	100%	100%

Sector Diversification (Excludes Cash Equivalents and Securities Lending)	**6/30/06**	**12/31/05**
Financials	21%	19%
Information Technology	15%	18%
Energy	14%	12%
Health Care	12%	12%
Consumer Discretionary	10%	12%
Industrials	10%	10%
Consumer Staples	8%	7%
Materials	4%	4%
Telecommunication Services	3%	3%
Utilities	3%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 6. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Balanced VIP

	Shares	Value ($)
Common Stocks 59.0%		
Consumer Discretionary 4.4%		
Auto Components 0.1%		
ArvinMeritor, Inc.	18,700	321,453
Modine Manufacturing Co.	4,700	109,792
Sauer-Danfoss, Inc.	6,100	155,062
Tenneco, Inc.*	8,700	226,200
		812,507
Automobiles 0.3%		
Harley-Davidson, Inc.	30,700	**1,685,123**
Distributors 0.1%		
Building Materials Holding Corp.	8,900	**248,043**
Hotels Restaurants & Leisure 0.5%		
BJ's Restaurants, Inc.*	1,400	31,276
LIFE TIME FITNESS, Inc.*	7,600	351,652
Lodgian, Inc.*	2,500	35,625
Luby's, Inc.*	11,900	124,117
Papa John's International, Inc.*	8,900	295,480
RARE Hospitality International, Inc.*	12,200	350,872
Starbucks Corp.*	44,300	1,672,768
Vail Resorts, Inc.*	10,800	400,680
		3,262,470
Household Durables 0.2%		
Fortune Brands, Inc.	18,300	**1,299,483**
Internet & Catalog Retail 0.0%		
Stamps.com, Inc.*	5,100	**141,882**
Leisure Equipment & Products 0.1%		
Marvel Entertainment, Inc.*	14,000	**280,000**
Media 0.8%		
LodgeNet Entertainment Corp.*	10,400	193,960
McGraw-Hill Companies, Inc.	47,100	2,365,833
Omnicom Group, Inc.	26,000	2,316,340
ProQuest Co.*	4,500	55,305
Scholastic Corp.*	15,500	402,535
		5,333,973
Multiline Retail 0.7%		
Big Lots, Inc.*	20,500	350,140
Kohl's Corp.*	21,700	1,282,904
Target Corp.	54,500	2,663,415
The Bon-Ton Stores, Inc.	7,600	166,288
		4,462,747
Specialty Retail 1.3%		
Best Buy Co., Inc.	14,800	811,632
Cache, Inc.*	13,700	237,558
Cato Corp. "A"	11,900	307,615
Genesco, Inc.*	8,100	274,347
Group 1 Automotive, Inc.	7,300	411,282
Guess?, Inc.*	5,800	242,150
Gymboree Corp.*	2,800	97,328
Jos. A. Bank Clothiers, Inc.*	3,800	91,048
Lowe's Companies, Inc.	16,000	970,720
Pantry, Inc.*	4,800	276,192
Shoe Carnival, Inc.*	4,100	97,826
Staples, Inc.	87,000	2,115,840
TJX Companies, Inc.	107,400	2,455,164
		8,388,702
Textiles, Apparel & Luxury Goods 0.3%		
Brown Shoe Co., Inc.	9,150	311,832
Carter's, Inc.*	11,000	290,730
Kellwood Co.	12,500	365,875
Perry Ellis International, Inc.*	12,800	323,968
Phillips-Van Heusen Corp.	11,000	419,760
Steven Madden Ltd.	9,900	293,238
		2,005,403
Consumer Staples 5.0%		
Beverages 1.4%		
Boston Beer Co., Inc. "A"*	2,900	84,941
Coca-Cola Co.	65,600	2,822,112
Diageo PLC	96,169	1,617,417
PepsiCo, Inc.	76,280	4,579,851
		9,104,321
Food & Staples Retailing 1.0%		
Wal-Mart Stores, Inc.	71,100	3,424,887
Walgreen Co.	64,400	2,887,696
		6,312,583
Food Products 1.3%		
Dean Foods Co.*	36,500	1,357,435
Flowers Foods, Inc.	13,700	392,368
General Mills, Inc.	36,100	1,864,926
Groupe Danone	12,724	1,616,885
Kellogg Co.	35,500	1,719,265
The Hershey Co.	18,200	1,002,274
		7,953,153
Household Products 1.3%		
Colgate-Palmolive Co.	64,800	3,881,520
Kimberly-Clark Corp.	13,900	857,630
Procter & Gamble Co.	63,600	3,536,160
		8,275,310
Personal Products 0.0%		
Elizabeth Arden, Inc.*	1,100	19,668
Inter Parfums, Inc.	5,200	89,544
		109,212
Energy 9.6%		
Energy Equipment & Services 3.7%		
Baker Hughes, Inc.	43,400	3,552,290
BJ Services Co.	95,900	3,573,234
ENSCO International, Inc.	68,000	3,129,360
Grey Wolf, Inc.*	45,600	351,120
Halliburton Co.	60,600	4,497,126
Noble Corp.	20,200	1,503,284
NS Group, Inc.*	6,700	369,036
Schlumberger Ltd.	59,500	3,874,045
Transocean, Inc.*	38,730	3,110,794
		23,960,289
Oil, Gas & Consumable Fuels 5.9%		
Berry Petroleum Co. "A"	5,400	179,010
Cabot Oil & Gas Corp.	4,100	200,900
Callon Petroleum Co.*	11,500	222,410

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Chevron Corp.	98,800	6,131,528
Clayton Williams Energy, Inc.*	2,600	89,804
Comstock Resources, Inc.*	11,700	349,362
ConocoPhillips	123,440	8,089,023
Devon Energy Corp.	43,900	2,651,999
Edge Petroleum Corp.*	11,400	227,772
Encore Aquisition Co.*	11,900	319,277
EOG Resources, Inc.	36,900	2,558,646
ExxonMobil Corp.	116,100	7,122,735
Harvest Natural Resources, Inc.*	18,600	251,844
Marathon Oil Corp.	41,400	3,448,620
Penn Virginia Corp.	5,000	349,400
Swift Energy Co.*	8,700	373,491
Valero Energy Corp.	44,000	2,926,880
Whiting Petroleum Corp.*	8,800	368,456
XTO Energy, Inc.	34,166	1,512,529
		37,373,686
Financials 11.7%		
Capital Markets 2.1%		
Bear Stearns Companies, Inc.	8,900	1,246,712
Calamos Asset Management, Inc. "A"	2,200	63,778
GFI Group, Inc.*	4,000	215,800
Lehman Brothers Holdings, Inc.	34,900	2,273,735
Merrill Lynch & Co., Inc.	46,200	3,213,672
Morgan Stanley	49,600	3,135,216
optionsXpress Holdings, Inc.	2,900	67,599
The Goldman Sachs Group, Inc.	19,600	2,948,428
		13,164,940
Commercial Banks 2.7%		
AmSouth Bancorp.	76,900	2,034,005
BancFirst Corp.	800	35,800
Banner Corp.	500	19,270
Boston Private Financial Holdings, Inc.	7,800	217,620
Center Financial Corp.	7,900	186,756
City Holding Co.	3,500	126,490
CVB Financial Corp.	21,618	338,538
First Community Bancorp.	7,200	425,376
First Indiana Corp.	1,200	31,236
Frontier Financial Corp.	850	28,891
Greater Bay Bancorp.	12,900	370,875
Hancock Holding Co.	4,300	240,800
Hanmi Financial Corp.	1,000	19,440
Oriental Financial Group, Inc.	10,700	136,532
Pacific Capital Bancorp.	2,500	77,800
Santander BanCorp.	1,800	44,316
Sterling Bancshares, Inc.	23,600	442,500
SunTrust Banks, Inc.	30,900	2,356,434
Umpqua Holdings Corp.	4,300	110,295
US Bancorp.	93,500	2,887,280
Wachovia Corp.	62,000	3,352,960
Wells Fargo & Co.	58,700	3,937,596
West Coast Bancorp.	1,700	50,099
		17,470,909
Consumer Finance 0.3%		
American Express Co.	29,300	1,559,346
Cash America International, Inc.	9,400	300,800
CompuCredit Corp.*	700	26,908
		1,887,054

	Shares	Value ($)
Diversified Financial Services 3.0%		
Bank of America Corp.	170,300	8,191,430
Citigroup, Inc.	134,232	6,475,352
JPMorgan Chase & Co.	104,500	4,389,000
		19,055,782
Insurance 1.9%		
AFLAC, Inc.	86,200	3,995,370
Allstate Corp.	43,100	2,358,863
American International Group, Inc.	60,500	3,572,525
EMC Insurance Group, Inc.	4,600	132,296
Genworth Financial, Inc. "A"	30,600	1,066,104
National Financial Partners Corp.	3,900	172,809
Navigators Group, Inc.*	900	39,438
Seabright Insurance Holdings*	15,800	254,538
Tower Group, Inc.	15,200	459,800
U.S.I. Holdings Corp.*	4,600	61,686
		12,113,429
Real Estate Investment Trusts 0.6%		
Alexandria Real Estate Equities, Inc. (REIT)	2,100	186,228
BioMed Realty Trust, Inc. (REIT)	5,900	176,646
Corporate Office Properties Trust (REIT)	3,300	138,864
Cousins Properties, Inc. (REIT)	5,700	176,301
EastGroup Properties, Inc. (REIT)	3,100	144,708
FelCor Lodging Trust, Inc. (REIT)	8,200	178,268
First Industrial Realty Trust, Inc. (REIT)	3,100	117,614
Glenborough Realty Trust, Inc. (REIT)	5,200	112,008
Glimcher Realty Trust (REIT)	3,800	94,278
Heritage Property Investment Trust (REIT)	4,900	171,108
Highwoods Properties, Inc. (REIT)	5,400	195,372
Home Properties, Inc. (REIT)	3,300	183,183
Lexington Corporate Properties Trust (REIT)	7,200	155,520
LTC Properties, Inc. (REIT)	1,300	29,055
Maguire Properties, Inc. (REIT)	200	7,034
National Retail Properties, Inc. (REIT)	9,100	181,545
Nationwide Health Properties, Inc. (REIT)	10,300	231,853
Newcastle Investment Corp. (REIT)	6,300	159,516
OMEGA Healthcare Investors, Inc. (REIT)	2,500	33,050
Parkway Properties, Inc. (REIT)	3,600	163,800
Pennsylvania Real Estate Investment Trust (REIT)	2,900	117,073
Potlatch Corp. (REIT)	4,300	162,325
Redwood Trust, Inc. (REIT)	3,000	146,490
Senior Housing Properties Trust (REIT)	8,500	152,235
Strategic Hotels & Resorts, Inc. (REIT)	8,000	165,920
Sun Communities, Inc. (REIT)	1,600	52,048
Urstadt Biddle Properties "A" (REIT)	1,200	19,548
Washington Real Estate Investment Trust (REIT)	4,900	179,830
		3,831,420

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	Shares	Value ($)
Thrifts & Mortgage Finance 1.1%		
Accredited Home Lenders Holding Co.*	6,100	291,641
BankUnited Financial Corp. "A"	6,100	186,172
Corus Bankshares, Inc.	16,300	426,734
First Niagara Financial Group, Inc.	4,400	61,688
FirstFed Financial Corp.*	7,500	432,525
Freddie Mac	42,100	2,400,121
Partners Trust Financial Group, Inc.	13,500	154,035
PFF Bancorp., Inc.	2,950	97,822
TierOne Corp.	7,600	256,652
W Holding Co., Inc.	13,500	89,775
Washington Mutual, Inc.	53,800	2,452,204
WSFS Financial Corp.	1,900	116,755
		6,966,124
Health Care 8.1%		
Biotechnology 1.6%		
Alkermes, Inc.*	14,300	270,556
Amgen, Inc.*	27,400	1,787,302
Cubist Pharmaceuticals, Inc.*	11,400	287,052
Digene Corp.*	5,700	220,818
Genentech, Inc.*	50,900	4,163,620
Gilead Sciences, Inc.*	60,400	3,573,264
		10,302,612
Health Care Equipment & Supplies 1.6%		
American Medical Systems Holdings, Inc.*	16,300	271,395
Baxter International, Inc.	87,900	3,231,204
Biosite, Inc.*	5,500	251,130
Boston Scientific Corp.*	28,200	474,888
C.R. Bard, Inc.	16,900	1,238,094
Integra LifeSciences Holdings*	7,200	279,432
Kyphon, Inc.*	7,800	299,208
Medtronic, Inc.	42,500	1,994,100
Zimmer Holdings, Inc.*	35,000	1,985,200
		10,024,651
Health Care Providers & Services 1.1%		
Alliance Imaging, Inc.*	35,600	227,840
Healthways, Inc.*	8,000	421,120
LCA-Vision, Inc.	4,700	248,677
Magellan Health Services, Inc.*	7,600	344,356
Odyssey HealthCare, Inc.*	14,200	249,494
PSS World Medical, Inc.*	16,300	287,695
Sunrise Senior Living, Inc.*	15,100	417,515
UnitedHealth Group, Inc.	108,400	4,854,152
		7,050,849
Health Care Technology 0.1%		
Computer Programs & Systems, Inc.	3,600	143,856
Dendrite International, Inc.*	11,400	105,336
Vital Images, Inc.*	9,300	229,710
		478,902
Life Sciences Tools & Services 0.1%		
Albany Molecular Research, Inc.*	21,500	229,620
Luminex Corp.*	15,300	266,067
PAREXEL International Corp.*	11,300	326,005
		821,692
Pharmaceuticals 3.6%		
Abbott Laboratories	132,600	5,782,686
Connetics Corp.*	18,800	221,088

	Shares	Value ($)
Eli Lilly & Co.	19,900	1,099,873
Hi-Tech Pharmacal Co., Inc.*	9,250	153,273
Johnson & Johnson	132,182	7,920,345
K-V Pharmaceutical Co. "A"*	15,000	279,900
Medicis Pharmaceutical Corp. "A"	12,200	292,800
MGI Pharma, Inc.*	3,700	79,550
Pain Therapeutics, Inc.*	23,000	192,050
Penwest Pharmaceuticals Co.*	10,800	235,764
Pfizer, Inc.	156,000	3,661,320
Salix Pharmaceuticals Ltd.*	16,000	196,800
Teva Pharmaceutical Industries Ltd. (ADR)	20,600	650,754
Valeant Pharmaceuticals International	9,100	153,972
Wyeth	49,700	2,207,177
		23,127,352
Industrials 6.1%		
Aerospace & Defense 1.5%		
Honeywell International, Inc.	36,500	1,470,950
L-3 Communications Holdings, Inc.	18,100	1,365,102
Orbital Sciences Corp.*	18,400	296,976
United Technologies Corp.	97,900	6,208,818
		9,341,846
Air Freight & Logistics 0.5%		
EGL, Inc.*	6,800	341,360
FedEx Corp.	21,600	2,524,176
Pacer International, Inc.	3,300	107,514
		2,973,050
Airlines 0.1%		
ExpressJet Holdings, Inc.*	52,900	**365,539**
Building Products 0.3%		
Lennox International, Inc.	4,100	108,568
Masco Corp.	57,700	1,710,228
Universal Forest Products, Inc.	2,100	131,733
		1,950,529
Commercial Services & Supplies 0.3%		
Administaff, Inc.	6,900	247,089
Banta Corp.	4,100	189,953
Coinstar, Inc.*	2,300	55,062
Consolidated Graphics, Inc.*	7,100	369,626
Herman Miller, Inc.	13,700	353,049
Huron Consulting Group, Inc.*	3,400	119,306
Kforce, Inc.*	15,200	235,448
Labor Ready, Inc.*	15,500	351,075
Standard Register Co.	12,200	144,570
Watson Wyatt Worldwide, Inc. "A"	3,700	130,018
		2,195,196
Construction & Engineering 0.1%		
Granite Construction, Inc.	8,500	**384,795**
Electrical Equipment 0.6%		
A.O. Smith Corp.	8,000	370,880
Acuity Brands, Inc.	7,100	276,261
Emerson Electric Co.	27,900	2,338,299
General Cable Corp.*	10,400	364,000
LSI Industries, Inc.	17,700	300,723
Vicor Corp.	12,900	213,753
		3,863,916
Industrial Conglomerates 1.2%		
General Electric Co.	225,900	**7,445,664**

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	Shares	Value ($)
Machinery 1.4%		
Accuride Corp.*	23,900	298,033
Cascade Corp.	7,400	292,670
Caterpillar, Inc.	24,800	1,847,104
Dover Corp.	48,100	2,377,583
Ingersoll-Rand Co., Ltd. "A"	71,400	3,054,492
Middleby Corp.*	1,400	121,184
Nordson Corp.	7,600	373,768
Valmont Industries, Inc.	3,000	139,470
Wabtec Corp.	12,200	456,280
		8,960,584
Road & Rail 0.1%		
Dollar Thrifty Automotive Group, Inc.*	7,600	342,532
Marten Transport Ltd.*	5,100	110,874
Old Dominion Freight Line, Inc.*	6,800	255,612
USA Truck, Inc.*	14,100	251,262
		960,280
Trading Companies & Distributors 0.0%		
Electro Rent Corp.*	14,800	237,096
UAP Holding Corp.	1,400	30,534
		267,630
Information Technology 10.5%		
Communications Equipment 1.5%		
Cisco Systems, Inc.*	256,100	5,001,633
MasTec, Inc.*	5,600	73,976
Nokia Oyj (ADR)	116,500	2,360,290
QUALCOMM, Inc.	52,300	2,095,661
		9,531,560
Computers & Peripherals 2.0%		
Apple Computer, Inc.*	38,500	2,199,120
Eletronics for Imaging, Inc.*	12,600	263,088
EMC Corp.*	145,300	1,593,941
Hewlett-Packard Co.	112,600	3,567,168
International Business Machines Corp.	63,500	4,878,070
Komag, Inc.*	5,500	253,990
		12,755,377
Electronic Equipment & Instruments 0.2%		
Itron, Inc.*	5,100	302,226
MTS Systems Corp.	6,700	264,717
Plexus Corp.*	8,200	280,522
Rofin-Sinar Technologies, Inc.*	4,400	252,868
		1,100,333
Internet Software & Services 0.8%		
aQuantive, Inc.*	5,100	129,183
CNET Networks, Inc.*	15,100	120,498
EarthLink, Inc.*	17,200	148,952
eBay, Inc.*	46,800	1,370,772
Google, Inc. "A"*	2,950	1,237,024
j2 Global Communications, Inc.*	3,800	118,636
ValueClick, Inc.*	8,300	127,405
WebEx Communications, Inc.*	4,000	142,160
Websense, Inc.*	5,600	115,024
Yahoo!, Inc.*	46,900	1,547,700
		5,057,354
IT Services 1.1%		
Accenture Ltd. "A"	70,700	2,002,224
Automatic Data Processing, Inc.	27,200	1,233,520
CSG Systems International, Inc.*	13,500	333,990
Fiserv, Inc.*	30,700	1,392,552
iGATE Corp.*	6,900	44,091
Paychex, Inc.	41,600	1,621,568
Sapient Corp.*	22,100	117,130
StarTek, Inc.	10,500	156,975
Sykes Enterprises, Inc.*	13,100	211,696
		7,113,746
Semiconductors & Semiconductor Equipment 3.3%		
Advanced Energy Industries, Inc.*	19,600	259,504
Analog Devices, Inc.	91,500	2,940,810
Applied Materials, Inc.	129,500	2,108,260
Asyst Technologies, Inc.*	27,400	206,322
Broadcom Corp. "A"*	77,700	2,334,885
Cymer, Inc.*	5,700	264,822
Intel Corp.	216,200	4,096,990
Kulicke & Soffa Industries, Inc.*	32,000	237,120
Linear Technology Corp.	46,500	1,557,285
Mattson Technology, Inc.*	20,500	200,285
Maxim Integrated Products, Inc.	44,600	1,432,106
MKS Instruments, Inc.*	6,600	132,792
OmniVision Technologies, Inc.*	9,500	200,640
Photronics, Inc.*	13,600	201,280
PortalPlayer, Inc.*	21,500	210,915
Standard Microsystems Corp.*	9,800	213,934
Texas Instruments, Inc.	142,300	4,310,267
Trident Microsystems, Inc.*	15,700	297,986
Zoran Corp.*	9,600	233,664
		21,439,867
Software 1.6%		
Adobe Systems, Inc.*	46,600	1,414,776
Advent Software, Inc.*	10,400	375,128
Ansoft Corp.*	15,400	315,392
ANSYS, Inc.*	6,100	291,702
Electronic Arts, Inc.*	32,100	1,381,584
FalconStor Software, Inc.*	9,600	66,912
Internet Security Systems, Inc.*	7,600	143,260
Intervoice, Inc.*	33,600	239,232
Microsoft Corp.	219,400	5,112,020
MicroStrategy, Inc., "A"*	3,722	362,969
SPSS, Inc.*	10,200	327,828
Witness Systems, Inc.*	15,000	302,550
		10,333,353
Materials 1.6%		
Chemicals 0.9%		
E.I. du Pont de Nemours & Co.	83,100	3,456,960
Ecolab, Inc.	43,300	1,757,114
Georgia Gulf Corp.	11,900	297,738
Pioneer Companies, Inc.*	11,200	305,536
Symyx Technologies, Inc.*	10,100	243,915
		6,061,263
Containers & Packaging 0.3%		
Rock-Tenn Co. "A"	5,800	92,510
Silgan Holdings, Inc.	5,600	207,256
Sonoco Products Co.	59,900	1,895,835
		2,195,601
Metals & Mining 0.4%		
AK Steel Holding Corp.*	19,300	266,919
Chaparral Steel Co.*	5,200	374,504
Cleveland-Cliffs, Inc.	5,300	420,237
Compass Minerals International, Inc.	11,700	291,915

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	Shares	Value ($)
Gibraltar Industries, Inc.	9,900	287,100
Metal Management, Inc.	7,100	217,402
Steel Technologies, Inc.	11,000	213,840
Stillwater Mining Co.*	19,000	240,920
		2,312,837

Telecommunication Services 1.4%

Diversified Telecommunication Services 1.3%

	Shares	Value ($)
Alaska Communications Systems Group, Inc.	25,300	320,045
AT&T, Inc.	119,900	3,344,011
CT Communications, Inc.	12,100	276,727
General Communication, Inc. "A"*	26,700	328,944
Golden Telecom, Inc.	9,600	243,360
North Pittsburgh Systems, Inc.	4,200	115,752
Premiere Global Services, Inc.*	18,400	138,920
TALK America Holdings, Inc.*	23,200	143,608
Time Warner Telecom, Inc. "A"*	1,600	23,760
Verizon Communications, Inc.	111,800	3,744,181
		8,679,308

Wireless Telecommunication Services 0.1%

	Shares	Value ($)
Centennial Communications Corp.	24,200	125,840
Dobson Communications Corp. "A"*	25,300	195,569
USA Mobility, Inc.	5,100	84,660
		406,069

Utilities 0.6%

Electric Utilities 0.4%

	Shares	Value ($)
ALLETE, Inc.	5,800	274,630
FPL Group, Inc.	56,200	2,325,556
Otter Tail Corp.	4,700	128,451
		2,728,637

Gas Utilities 0.1%

	Shares	Value ($)
New Jersey Resources Corp.	2,100	98,238
South Jersey Industries, Inc.	5,000	136,950
Southwest Gas Corp.	7,900	247,586
		482,774

Independent Power Producers & Energy Traders 0.1%

	Shares	Value ($)
TXU Corp.	13,800	**825,102**

Multi-Utilities 0.0%

	Shares	Value ($)
Avista Corp.	4,700	**107,301**
Total Common Stocks (Cost $308,278,097)		**377,144,114**

Corporate Bonds 12.2%

Consumer Discretionary 2.8%

	Principal Amount ($)(a)	Value ($)
Affinia Group, Inc., 9.0%, 11/30/2014	155,000	140,663
AMC Entertainment, Inc., 8.0%, 3/1/2014	230,000	210,737
AMFM, Inc., 8.0%, 11/1/2008	750,000	779,775
Aztar Corp., 7.875%, 6/15/2014	315,000	333,112
Cablevision Systems Corp., Series B, 9.62%**, 4/1/2009	50,000	53,000
Caesars Entertainment, Inc., 8.875%, 9/15/2008	100,000	105,000
Charter Communications Holdings LLC:		
8.625%, 4/1/2009	25,000	19,250
9.625%, 11/15/2009	10,000	7,700
10.25%, 9/15/2010	535,000	536,337
144A, 10.25%, 9/15/2010	140,000	140,000
11.0%, 10/1/2015	466,000	407,750
Comcast Cable Communications Holdings, Inc., 9.455%, 11/15/2022	220,000	273,349
Comcast MO of Delaware, Inc., 9.0%, 9/1/2008	150,000	159,436
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014	105,000	82,819
CSC Holdings, Inc.:		
7.25%, 7/15/2008	80,000	80,100
7.875%, 12/15/2007	265,000	268,312
DaimlerChrysler NA Holding Corp.:		
4.75%, 1/15/2008	750,000	737,737
Series E, 5.679%**, 10/31/2008	389,000	390,726
Dex Media East LLC/Financial, 12.125%, 11/15/2012	793,000	890,142
Dura Operating Corp., Series B, 8.625%, 4/15/2012	190,000	161,500
EchoStar DBS Corp.:		
6.625%, 10/1/2014	25,000	23,500
144A, 7.125%, 2/1/2016	90,000	86,625
Foot Locker, Inc., 8.5%, 1/15/2022	120,000	121,050
Ford Motor Co., 7.45%, 7/16/2031	80,000	57,800
French Lick Resorts & Casinos, 144A, 10.75%, 4/15/2014	465,000	445,237
Friendly Ice Cream Corp., 8.375%, 6/15/2012	60,000	51,600
General Motors Corp.:		
8.25%, 7/15/2023	205,000	161,438
8.375%, 7/15/2033	140,000	112,700
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011	480,000	526,800
Gregg Appliances, Inc., 9.0%, 2/1/2013	50,000	46,125
Harrah's Operating Co., Inc., 5.625%, 6/1/2015	450,000	416,216
Hertz Corp., 144A, 8.875%, 1/1/2014	215,000	220,375
ION Media Networks, Inc., 144A, 11.318%**, 1/15/2013	85,000	85,213
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014	290,000	273,687
Jacobs Entertainment, Inc., 144A, 9.75%, 6/15/2014	190,000	190,950
JC Penney Corp., Inc., 8.0%, 3/1/2010	500,000	532,700
Lear Corp.:		
Series B, 5.75%, 8/1/2014	10,000	8,150
Series B, 8.11%, 5/15/2009	245,000	238,875
Levi Strauss & Co., 9.74%**, 4/1/2012	55,000	55,963
Liberty Media Corp.:		
5.7%, 5/15/2013	15,000	13,622
8.25%, 2/1/2030	115,000	110,071
8.5%, 7/15/2029	150,000	145,886
Linens 'n Things, Inc., 144A, 10.702%**, 1/15/2014	90,000	85,275
Mediacom Broadband LLC, 8.5%, 10/15/2015	10,000	9,600
Metaldyne Corp.:		
10.0%, 11/1/2013	75,000	72,563
11.0%, 6/15/2012	15,000	12,750
MGM MIRAGE:		
8.375%, 2/1/2011	75,000	76,875
9.75%, 6/1/2007	145,000	148,988

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	Principal Amount ($)(a)	Value ($)
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010	160,000	169,000
NCL Corp., 10.625%, 7/15/2014	35,000	34,388
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012	240,000	194,400
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013	365,000	380,512
Pokagon Gaming Authority, 144A, 10.375%, 6/15/2014	40,000	41,350
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012	555,000	573,037
PRIMEDIA, Inc.:		
8.875%, 5/15/2011	95,000	91,200
10.545%**, 5/15/2010	250,000	255,312
Resorts International Hotel & Casino, Inc., 11.5%, 3/15/2009	425,000	459,000
Rexnord Corp., 10.125%, 12/15/2012	65,000	71,977
Sinclair Broadcast Group, Inc., 8.75%, 12/15/2011	375,000	391,875
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013	205,000	192,188
Six Flags, Inc.:		
8.875%, 2/1/2010	30,000	28,500
9.75%, 4/15/2013	250,000	229,687
TCI Communications, Inc., 8.75%, 8/1/2015	135,000	154,247
Tele-Communications, Inc.:		
9.875%, 6/15/2022	670,000	846,068
10.125%, 4/15/2022	28,000	35,626
The Bon-Ton Department Stores, Inc., 144A, 10.25%, 3/15/2014	95,000	88,113
Time Warner, Inc., 6.75%, 4/15/2011	800,000	820,166
Toys "R" Us, Inc., 7.375%, 10/15/2018	50,000	35,438
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015 (b)	520,000	499,850
TRW Automotive, Inc.:		
11.0%, 2/15/2013	400,000	437,000
11.75%, 2/15/2013 EUR	75,000	109,599
United Auto Group, Inc., 9.625%, 3/15/2012	365,000	381,425
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	65,000	67,194
XM Satellite Radio, Inc., 144A, 9.75%, 5/1/2014	390,000	356,850
Young Broadcasting, Inc., 8.75%, 1/15/2014	580,000	484,300
		17,536,381

Consumer Staples 0.8%

	Principal Amount ($)(a)	Value ($)
Alliance One International, Inc., 11.0%, 5/15/2012	85,000	80,750
Altria Group, Inc., 7.0%, 11/4/2013	250,000	263,750
Anheuser-Busch Companies, Inc., 5.75%, 4/1/2036	400,000	375,115
Archer-Daniels-Midland Co., 5.375%, 9/15/2035	400,000	354,710
Birds Eye Foods, Inc., 11.875%, 11/1/2008	170,000	173,188
Coca-Cola Enterprises, Inc., 8.5%, 2/1/2022	500,000	613,465
Del Laboratories, Inc., 8.0%, 2/1/2012	95,000	78,969
Delhaize America, Inc.:		
8.05%, 4/15/2027	30,000	29,260
9.0%, 4/15/2031	415,000	455,093
Fortune Brands, Inc., 5.375%, 1/15/2016	250,000	231,257
Fred Meyer, Inc., 7.45%, 3/1/2008	750,000	768,406
Harry & David Holdings, Inc., 10.231%**, 3/1/2012	85,000	80,750
Kraft Foods, Inc., 6.25%, 6/1/2012	500,000	505,834
North Atlantic Trading Co., 9.25%, 3/1/2012	185,000	148,925
Swift & Co.:		
10.125%, 10/1/2009	55,000	55,963
12.5%, 1/1/2010	25,000	24,875
Viskase Co., Inc., 11.5%, 6/15/2011	480,000	496,200
Wal-Mart Stores, Inc., 5.25%, 9/1/2035	250,000	218,132
		4,954,642

Energy 0.7%

	Principal Amount ($)(a)	Value ($)
Belden & Blake Corp., 8.75%, 7/15/2012	395,000	400,925
Chaparral Energy, Inc., 144A, 8.5%, 12/1/2015	205,000	203,975
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	100,000	91,250
6.875%, 1/15/2016	280,000	264,600
7.75%, 1/15/2015	35,000	35,088
Delta Petroleum Corp., 7.0%, 4/1/2015	220,000	204,600
Dynegy Holdings, Inc.:		
7.625%, 10/15/2026	245,000	214,375
144A, 8.375%, 5/1/2016	190,000	187,150
El Paso Production Holding Corp., 7.75%, 6/1/2013	160,000	161,200
Frontier Oil Corp., 6.625%, 10/1/2011	295,000	282,462
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	255,000	255,000
NGC Corp. Capital Trust I, Series B, 8.316%, 6/1/2027	100,000	85,500
Plains Exploration & Production Co.:		
7.125%, 6/15/2014	115,000	113,275
Series B, 8.75%, 7/1/2012	90,000	94,275
Range Resources Corp., 7.5%, 5/15/2016	40,000	39,500
Southern Natural Gas, 8.875%, 3/15/2010	340,000	359,126
Stone Energy Corp.:		
6.75%, 12/15/2014	415,000	416,556
144A, 8.24%**, 7/15/2010	270,000	270,000
Transmeridian Exploration, Inc., 144A, 12.0%, 12/15/2010	115,000	116,150
Williams Companies, Inc.:		
8.125%, 3/15/2012	565,000	586,187
8.75%, 3/15/2032	245,000	266,438
		4,647,632

Financials 3.0%

	Principal Amount ($)(a)	Value ($)
AAC Group Holding Corp., 144A, 12.75%, 10/1/2012 (PIK)	70,000	70,000
Alamosa Delaware, Inc., 11.0%, 7/31/2010	125,000	136,875
Allstate Corp., 6.125%, 2/15/2012	1,000,000	1,016,469

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	Principal Amount ($)(a)	Value ($)
American General Institutional Capital, 144A, 8.125%, 3/15/2046	230,000	270,937
American International Group, Inc., 144A, 6.25%, 5/1/2036	350,000	335,451
Ashton Woods USA LLC, 9.5%, 10/1/2015	230,000	203,550
Bear Stearns Companies, Inc., 5.3%, 10/30/2015	465,000	439,973
Citigroup, Inc., 6.0%, 10/31/2033	500,000	473,670
E*TRADE Financial Corp.:		
7.375%, 9/15/2013	75,000	75,000
7.875%, 12/1/2015	60,000	61,500
8.0%, 6/15/2011	135,000	137,700
ERP Operating LP:		
5.375%, 8/1/2016	333,000	312,530
6.95%, 3/2/2011	211,000	220,024
Ford Motor Credit Co.:		
7.25%, 10/25/2011	610,000	541,116
7.375%, 10/28/2009	1,225,000	1,132,559
7.875%, 6/15/2010	295,000	272,135
General Electric Capital Corp., Series A, 6.75%, 3/15/2032	750,000	800,568
General Motors Acceptance Corp.:		
4.375%, 12/10/2007	134,000	128,534
6.125%, 9/15/2006	184,000	183,728
6.125%, 2/1/2007 (b)	1,377,000	1,371,327
6.125%, 8/28/2007	622,000	615,495
6.875%, 9/15/2011	1,300,000	1,240,408
8.0%, 11/1/2031	689,000	662,232
H&E Equipment/Finance:		
11.125%, 6/15/2012	95,000	104,908
12.5%, 6/15/2013	55,000	61,804
HSBC Bank USA, 5.625%, 8/15/2035	374,000	330,124
HSBC Holdings PLC, 6.5%, 5/2/2036	500,000	491,539
Ipayment, Inc., 144A, 9.75%, 5/15/2014	80,000	79,600
John Deere Capital Corp., 5.1%, 1/15/2013	1,000,000	961,445
JPMorgan Chase Capital XV, 5.875%, 3/15/2035	585,000	519,111
Merrill Lynch & Co., Inc., Series C, 4.79%, 8/4/2010	626,000	604,758
Popular North America, Inc., Series E, 3.875%, 10/1/2008	1,000,000	956,773
Poster Financial Group, Inc., 8.75%, 12/1/2011	275,000	286,000
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	330,000	362,175
Simon Property Group, LP, (REIT), 6.1%, 5/1/2016	600,000	595,367
Sprint Capital Corp., 7.625%, 1/30/2011	1,000,000	1,064,423
The Goldman Sachs Group, Inc.:		
5.35%, 1/15/2016	505,000	476,922
6.45%, 5/1/2036	400,000	383,208
TIG Capital Holdings Trust, 144A, 8.597%, 1/15/2027	245,000	184,975
Triad Acquisition Corp., Series B, 11.125%, 5/1/2013	125,000	123,125
Universal City Development, 11.75%, 4/1/2010	355,000	386,506
Verizon Global Funding Corp., 7.75%, 12/1/2030	170,000	183,353
		18,857,897

	Principal Amount ($)(a)	Value ($)
Health Care 0.4%		
Genentech, Inc., 4.4%, 7/15/201 (b)	1,250,000	1,193,992
HEALTHSOUTH Corp.:		
144A, 10.75%, 6/15/2016	190,000	186,200
144A, 11.418%**, 6/15/2014	30,000	29,925
Tenet Healthcare Corp., 144A, 9.5%, 2/1/2015	505,000	496,163
Wyeth, 6.5%, 2/1/2034	400,000	400,486
		2,306,766
Industrials 0.8%		
Allied Security Escrow Corp., 11.375%, 7/15/2011	130,000	126,100
Allied Waste North America, Inc., Series B, 9.25%, 9/1/2012	295,000	312,700
American Color Graphics, 10.0%, 6/15/2010	150,000	106,875
Avondale Mills, Inc., 144A, 11.5%**, 7/1/2012	125,000	128,750
Browning-Ferris Industries:		
7.4%, 9/15/2035	245,000	218,050
9.25%, 5/1/2021	135,000	137,025
Case New Holland, Inc., 9.25%, 8/1/2011	345,000	363,112
Cenveo Corp., 7.875%, 12/1/2013	260,000	253,500
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	270,000	265,275
Compression Polymers Corp.:		
144A, 10.5%, 7/1/2013	255,000	260,100
144A, 11.44%**, 7/1/2012	95,000	96,900
Congoleum Corp., 8.625%, 8/1/2008*	190,000	188,100
DRS Technologies, Inc., 7.625%, 2/1/2018	140,000	139,300
Education Management LLC, 144A, 8.75%, 6/1/2014	75,000	74,250
Honeywell International, Inc., 5.7%, 3/15/2036	250,000	233,743
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2016	255,000	221,213
8.875%, 4/1/2012	270,000	268,650
Kansas City Southern:		
7.5%, 6/15/2009	55,000	55,000
9.5%, 10/1/2008	415,000	434,712
Kinetek, Inc., Series D, 10.75%, 11/15/2006	345,000	343,275
Millennium America, Inc., 9.25%, 6/15/2008	110,000	112,750
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	30,000	33,225
Ship Finance International Ltd., 8.5%, 12/15/2013	75,000	71,250
The Brickman Group Ltd., Series B, 11.75%, 12/15/2009	220,000	236,500
United Technologies Corp., 7.5%, 9/15/2029	350,000	405,531
Xerox Capital Trust I, 8.0%, 2/1/2027	80,000	80,300
Xerox Corp., 6.4%, 3/15/2016	170,000	160,438
		5,326,624
Information Technology 0.5%		
Cisco Systems, Inc., 5.5%, 2/22/2016	750,000	720,170
International Business Machines Corp., 8.375%, 11/1/2019	250,000	301,578

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	Principal Amount ($)(a)	Value ($)
L-3 Communications Corp.:		
5.875%, 1/15/2015	290,000	270,425
Series B, 6.375%, 10/15/2015	85,000	81,175
Lucent Technologies, Inc., 6.45%, 3/15/2029	765,000	650,250
Sanmina-SCI Corp., 8.125%, 3/1/2016	195,000	190,125
SunGard Data Systems, Inc., 144A, 10.25%, 8/15/2015	240,000	248,100
UGS Corp., 10.0%, 6/1/2012	245,000	263,375
Unisys Corp., 7.875%, 4/1/2008	410,000	410,000
		3,135,198
Materials 1.2%		
ARCO Chemical Co., 9.8%, 2/1/2020	680,000	799,000
Associated Materials, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014	75,000	45,188
Chemtura Corp., 6.875%, 6/1/2016	110,000	106,287
Constar International, Inc., 11.0%, 12/1/2012	35,000	26,250
Crown Cork & Seal Co., Inc., 7.5%, 12/15/2096	70,000	55,650
Crystal US Holdings, Series A, Step-up Coupon, 0% to 10/1/2009, 10% to 10/1/2014	70,000	55,475
Dayton Superior Corp.:		
10.75%, 9/15/2008	50,000	50,750
13.0%, 6/15/2009	145,000	126,512
Equistar Chemical Funding, 10.625%, 5/1/2011	175,000	187,906
Exopac Holding Corp., 144A, 11.25%, 2/1/2014	245,000	247,450
GEO Specialty Chemicals, Inc., 144A, 13.479%**, 12/31/2009	491,000	427,784
Greif, Inc., 8.875%, 8/1/2012	130,000	136,825
Hexcel Corp., 6.75%, 2/1/2015	115,000	107,525
Huntsman LLC, 11.625%, 10/15/2010	392,000	433,160
IMC Global, Inc., 10.875%, 8/1/2013	470,000	522,875
International Coal Group, Inc., 144A, 10.25%, 7/15/2014	100,000	99,875
International Steel Group, Inc., 6.5%, 4/15/2014	75,000	70,875
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014	165,000	117,975
Lyondell Chemical Co., 10.5%, 6/1/2013	45,000	49,500
Massey Energy Co.:		
6.625%, 11/15/2010	205,000	201,925
6.875%, 12/15/2013	105,000	97,650
Monsanto Co., 4.0%, 5/15/2008	1,000,000	969,640
Mueller Holdings, Inc., Step-up Coupon, 0% to 4/15/2009, 14.75% to 4/15/2014	408,000	342,720
Neenah Foundry Co.:		
144A, 11.0%, 9/30/2010	545,000	588,600
144A, 13.0%, 9/30/2013	40,000	40,200
OM Group, Inc., 9.25%, 12/15/2011	50,000	51,500
Omnova Solutions, Inc., 11.25%, 6/1/2010	400,000	424,000
Oregon Steel Mills, Inc., 10.0%, 7/15/2009	90,000	94,500
Oxford Automotive, Inc., 144A, 12.5%, 10/15/2010*	254,019	3,810
Radnor Holdings Corp., 11.0%, 3/15/2010	70,000	27,300
Rockwood Specialties Group, Inc., 10.625%, 5/15/2011	61,000	65,194
TriMas Corp., 9.875%, 6/15/2012	235,000	215,025
United States Steel Corp., 9.75%, 5/15/2010	248,000	264,120
Weyerhaeuser Co., 5.95%, 11/1/2008	600,000	600,477
Witco Corp., 6.875%, 2/1/2026	60,000	53,400
Wolverine Tube, Inc., 10.5%, 4/1/2009	95,000	78,850
		7,785,773
Telecommunication Services 0.6%		
American Cellular Corp., Series B, 10.0%, 8/1/2011	115,000	121,038
AT&T, Inc., 6.15%, 9/15/2034	500,000	458,875
Bell Atlantic New Jersey, Inc., Series A, 5.875%, 1/17/2012	745,000	729,029
Centennial Communications Corp., 10.0%, 1/1/2013	60,000	59,400
Cincinnati Bell, Inc.:		
7.25%, 7/15/2013	330,000	325,050
8.375%, 1/15/2014	235,000	231,475
Dobson Communications Corp., 8.875%, 10/1/2013	110,000	108,075
Insight Midwest LP, 9.75%, 10/1/2009	45,000	45,900
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	650,000	661,621
PanAmSat Corp., 144A, 9.0%, 6/15/2016	130,000	131,950
Qwest Corp., 7.25%, 9/15/2025	215,000	201,025
Rural Cellular Corp.:		
9.75%, 1/15/2010	25,000	24,906
9.875%, 2/1/2010	75,000	77,156
144A, 10.899%**, 11/1/2012	30,000	30,788
Triton PCS, Inc., 8.5%, 6/1/2013	85,000	77,988
Ubiquitel Operating Co., 9.875%, 3/1/2011	100,000	108,750
US Unwired, Inc., Series B, 10.0%, 6/15/2012	175,000	194,250
Windstream Corp., 144A, 8.625%, 8/1/2016	205,000	209,612
		3,796,888
Utilities 1.4%		
AES Corp., 144A, 8.75%, 5/15/2013	880,000	941,600
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	585,000	621,562
American Electric Power Co., Inc., Series C, 5.375%, 3/15/2010	1,000,000	984,340
CMS Energy Corp., 8.5%, 4/15/2011	540,000	562,950
Consumers Energy Co., Series F, 4.0%, 5/15/2010	1,590,000	1,480,255
Dominion Resources, Inc., Series E, 7.195%, 9/15/2014	750,000	787,993
FirstEnergy Corp., Series B, 6.45%, 11/15/2011	500,000	508,761
MidAmerican Energy Holdings Co., 144A, 6.125%, 4/1/2036	500,000	467,390
Mirant North America LLC, 144A, 7.375%, 12/31/2013	10,000	9,650

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	Principal Amount ($)(a)	Value ($)
Mission Energy Holding Co., 13.5%, 7/15/2008	745,000	830,675
Northern States Power Co., 6.25%, 6/1/2036	400,000	397,345
NRG Energy, Inc.:		
7.25%, 2/1/2014	245,000	238,875
7.375%, 2/1/2016	510,000	497,250
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	595,000	642,600
Sierra Pacific Resources:		
6.75%, 8/15/2017	135,000	127,551
8.625%, 3/15/2014	75,000	79,451
		9,178,248
Total Corporate Bonds (Cost $79,177,548)		**77,526,049**

Foreign Bonds — US$ Denominated 2.2%

	Principal Amount ($)(a)	Value ($)
Consumer Discretionary 0.2%		
Jafra Cosmetics International, Inc., 10.75%, 5/15/2011	440,000	471,900
Royal Caribbean Cruises Ltd., 8.75%, 2/2/2011	422,000	453,669
Shaw Communications, Inc., 8.25%, 4/11/2010	95,000	98,087
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014	394,000	333,915
Unity Media GmbH, 144A, 10.375%, 2/15/2015	75,000	71,625
Vitro SA de CV, Series A, 144A, 12.75%, 11/1/2013	60,000	55,500
		1,484,696
Energy 0.2%		
Gaz Capital SA, 144A, 8.625%, 4/28/2034	100,000	114,750
OAO Gazprom, 144A, 9.625%, 3/1/2013	300,000	343,875
Pemex Project Funding Master Trust:		
144A, 5.75%, 12/15/2015	522,000	480,762
5.75%, 12/15/2015	550,000	506,550
Secunda International Ltd., 13.068%**, 9/1/2012	130,000	135,850
		1,581,787
Financials 0.7%		
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010	405,000	466,762
Doral Financial Corp., 5.91%**, 7/20/2007	325,000	309,578
Mizuho Financial Group, (Cayman), 8.375%, 12/29/2049	2,290,000	2,400,378
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	110,000	90,200
Pemex Finance Ltd., "A1", Series 2000-1, 9.03%, 2/15/2011	688,750	730,323
Svenska Handelsbanken AB, 144A, 7.125%, 3/29/2049	330,000	333,455
		4,330,696
Health Care 0.1%		
Biovail Corp., 7.875%, 4/1/2010	335,000	**339,188**
Industrials 0.2%		
Canadian National Railway Co., 5.8%, 6/1/2016	600,000	596,885
Grupo Transportacion Ferroviaria Mexicana SA de CV:		
9.375%, 5/1/2012	190,000	202,350
10.25%, 6/15/2007	450,000	463,500
12.5%, 6/15/2012	163,000	179,707
Stena AB, 9.625%, 12/1/2012	50,000	53,125
		1,495,567
Materials 0.2%		
Cascades, Inc., 7.25%, 2/15/2013	287,000	265,475
ISPAT Inland ULC, 9.75%, 4/1/2014	284,000	313,110
Novelis, Inc., 144A, 7.25%, 2/15/2015	240,000	230,400
Rhodia SA, 8.875%, 6/1/2011	282,000	280,943
Tembec Industries, Inc., 8.625%, 6/30/2009	250,000	136,875
		1,226,803
Sovereign Bonds 0.1%		
Federative Republic of Brazil, 8.875%, 10/14/2019	120,000	133,680
Republic of Argentina, 4.889%**, 8/3/2012 (PIK)	180,000	148,770
United Mexican States, 5.625%, 1/15/2017	134,000	124,620
		407,070
Telecommunication Services 0.5%		
Cell C Property Ltd., 144A, 11.0%, 7/1/2015	285,000	237,975
Embratel, Series B, 11.0%, 12/15/2008	59,000	64,310
Intelsat Bermuda Ltd., 144A, 11.25%, 6/15/2016	110,000	112,750
Intelsat Ltd., 5.25%, 11/1/2008	140,000	131,600
Millicom International Cellular SA, 10.0%, 12/1/2013	25,000	27,875
Mobifon Holdings BV, 12.5%, 7/31/2010	314,000	355,605
Nortel Networks Ltd.:		
144A, 9.73%**, 7/15/2011	290,000	295,075
144A, 10.125%, 7/15/2013	130,000	132,275
144A, 10.75%, 7/15/2016	110,000	111,925
Stratos Global Corp., 144A, 9.875%, 2/15/2013	195,000	183,300
Telecom Italia Capital:		
4.95%, 9/30/2014	470,000	420,771
5.25%, 11/15/2013	655,000	605,526
Vodafone Group PLC, 5.0%, 12/16/2013	750,000	693,198
		3,372,185
Total Foreign Bonds — US$ Denominated (Cost $14,430,084)		**14,237,992**

Foreign Bonds — Non US$ Denominated 0.1%

		Principal Amount ($)(a)	Value ($)
Consumer Discretionary 0.0%			
Unity Media GmbH, 144A, 8.75%, 2/15/2015	EUR	160,000	**185,207**
Sovereign Bonds 0.1%			
Republic of Argentina, 7.82%, 12/31/2033 (PIK)	EUR	233,043	**249,338**
Total Foreign Bonds — Non US$ Denominated (Cost $445,982)			**434,545**

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	Principal Amount ($)(a)	Value ($)
Asset Backed 1.3%		
Automobile Receivables 0.4%		
Capital Auto Receivables Asset Trust, "B", Series 2006-1, 5.26%, 10/15/2010	566,000	557,644
Hertz Vehicle Financing LLC, "A6", Series 2005-2A, 144A, 5.08%, 11/25/2011	1,347,000	1,310,630
MMCA Automobile Trust:		
"A4", Series 2002-4, 3.05%, 11/16/2009	158,150	157,090
"A4", Series 2002-2, 4.3%, 3/15/2010	29,917	29,890
"B", Series 2002-2, 4.67%, 3/15/2010	75,452	74,835
"B", Series 2002-1, 5.37%, 1/15/2010	135,574	135,104
		2,265,193
Credit Card Receivables 0.2%		
Providian Master Note Trust, "B1", Series 2006-B1A, 144A, 5.35%, 3/15/2013	1,075,000	**1,064,250**
Home Equity Loans 0.7%		
Countrywide Asset-Backed Certificates, "1AF2", Series 2005-17, 5.363%, 5/25/2036	689,000	681,418
Credit-Based Asset Servicing and Securitization, "AF2", Series 2006-CB2, 5.501%, 12/25/2036	1,613,000	1,599,304
DB Master FInance LLC, "A2", Series 2006-1, 144A, 5.779%, 6/20/2031	1,280,000	1,270,623
Residential Asset Securities Corp., "AI6", Series 2000-KS1, 7.905%, 2/25/2031	1,117,482	1,113,387
		4,664,732
Total Asset Backed (Cost $8,180,891)		**7,994,175**

	Shares	Value ($)
Warrants 0.0%		
MicroStrategy, Inc.*, expiration 6/24/2007	96	7
TravelCenters of America, Inc.*, expiration 5/1/2009	59	8
Total Warrants (Cost $251)		**15**
Preferred Stocks 0.4%		
Financials		
Farm Credit Bank of Texas, Series 1, 7.561%	198,000	206,791
Wachovia Capital Trust III, 5.8%	2,000,000	1,940,804
Washington Mutual Preferred Funding Delaware 144A, 6.534%(b)	600,000	574,836
Total Preferred Stocks (Cost $2,814,751)		**2,722,431**
Convertible Preferred Stock 0.0%		
Consumer Discretionary		
ION Media Networks, Inc., 144A, 9.75%, (PIK)(Cost $83,525)	12	**83,700**

	Principal Amount ($)(a)	Value ($)
US Government Agency Sponsored Pass-Throughs 2.1%		
Federal Home Loan Mortgage Corp.:		
5.0%, with various maturities from 11/1/2035 until 12/1/2035	524,575	490,281
6.0%, 8/1/2035	864,715	846,911
Federal National Mortgage Association:		
4.5%, with various maturities from 7/1/2018 until 9/1/2035	4,581,092	4,239,456
5.0%, with various maturities from 4/1/2024 until 5/1/2034	3,107,837	2,932,416
5.5%, with various maturities from 7/1/2023 until 1/1/2034	2,996,000	2,898,113
6.0%, with various maturities from 1/1/2024 until 10/1/2035	1,457,370	1,434,511
6.5%, 5/1/2017	110,680	112,285
7.13%, 1/1/2012	190,718	190,211
8.0%, 9/1/2015	233,830	246,116
Total US Government Agency Sponsored Pass-Throughs (Cost $14,018,373)		**13,390,300**
Commercial and Non-Agency Mortgage-Backed Securities 11.3%		
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.431%**, 1/25/2036	1,000,000	968,758
Banc of America Mortgage Securities, "2A6", Series 2004-G, 4.657%, 8/25/2034	2,275,000	2,217,407
Bear Stearns Adjustable Rate Mortgage Trust, "2A3", Series 2005-4, 4.45%, 8/25/2035	705,000	674,221
Chase Mortgage Finance Corp., "2A1", Series 2004-S3, 5.25%, 3/25/2034	610,911	604,075
Citigroup Commercial Mortgage Trust, "A5", Series 2004-C2, 4.733%, 10/15/2041	2,000,000	1,853,730
Citigroup Mortgage Loan Trust, Inc., "1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	359,975	361,775
Commercial Mortgage Acceptance Corp., "A3", Series 1998-C2, 6.04%, 9/15/2030	1,510,000	1,518,004
Countrywide Alternative Loan Trust:		
"A1", Series 2004-1T1, 5.0%, 2/25/2034	750,337	734,495
"1A5", Series 2003-J1, 5.25%, 10/25/2033	758,122	745,142
"A8" Series 2005-JI4, 5.5%, 12/25/2035	3,733,000	3,491,536
"4A3", Series 2005-43, 5.762%**, 10/25/2035	896,394	881,274
"A1", Series 2004-35T2, 6.0%, 2/25/2035	837,374	833,995
"3A5", Series 2005-28CB, 6.0%, 8/25/2035	2,853,205	2,843,245
Countrywide Home Loans, "A6", Series 2003-57, 5.5%, 1/25/2034	409,134	406,714
CS First Boston Mortgage Securities Corp.:		
"A2", Series 2004-C1, 3.516%, 1/15/2037	2,000,000	1,914,291

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
"A3", Series 2005-C5, 5.1%, 8/15/2038	2,000,000	1,913,338
"A4", Series 2001-CP4, 6.18%, 12/15/2035	2,000,000	2,031,728
DLJ Mortgage Acceptance Corp., "A1B", Series 1997-CF2, 144A, 6.82%, 10/15/2030	128,288	129,144
GMAC Commercial Mortgage Securities, Inc., "A3", Series 1997-C1, 6.869%, 7/15/2029	58,298	58,762
Greenwich Capital Commercial Funding Corp., "A4", Series 2005-GG3, 4.799%, 8/10/2042	2,000,000	1,857,224
GS Mortgage Securities Corp. II, "A4", Series 2006-GG6, 5.553%, 4/10/2038	1,950,000	1,902,872
GSR Mortgage Loan Trust, "4A5", Series 2005-AR6, 4.553%**, 9/25/2035	1,025,000	982,550
JPMorgan Alternative Loan Trust, "2A4", Series 2006-S1, 5.5%, 2/25/2021	3,635,892	3,605,524
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"A4", Series 2005-LDP2, 4.738%, 7/15/2042	2,000,000	1,839,744
"A6", Series 2004-CBX, 4.899%, 1/12/2037	2,000,000	1,871,522
"A3", Series 2001-CIBC, 6.26%, 3/15/2033	2,145,000	2,188,273
JPMorgan Mortgage Trust, "2A1", Series 2005-A8, 4.96%**, 11/25/2035	872,299	858,850
LB-UBS Commercial Mortgage Trust:		
"A2", Series 2004-C2, 3.246%, 3/15/2029	1,900,000	1,790,638
"A2", Series 2005-C2, 4.821%, 4/15/2030	165,000	160,119
Master Alternative Loans Trust, "5A1", Series 2005-1, 5.5%, 1/25/2020	1,075,444	1,062,142
Morgan Stanley Capital I:		
"A4", Series 2005-T17, 4.52%, 12/13/2041	2,100,000	1,978,052
"A2", Series 2006-T21, 5.09%, 10/12/2052	1,079,000	1,051,601
Mortgage Capital Funding, Inc., "A3", Series 1997-MC1, 7.288%, 7/20/2027	36,004	36,027
Structured Adjustable Rate Mortgage Loan:		
"1A4", Series 2005-22, 5.25%, 12/25/2035	970,000	949,465
"6A3", Series 2005-21, 5.4%, 11/25/2035	900,000	868,219
"1A1", Series 2005-17, 5.728%**, 8/25/2035	1,558,648	1,535,878
Structured Asset Securities Corp., "4A1", Series 2005-6, 5.0%, 5/25/2035	173,082	161,075
Wachovia Bank Commercial Mortgage Trust:		
"APB", Series 2006-C23, 5.446%, 1/15/2045	2,100,000	2,046,244
"A4", Series 2006-C25, 5.954%, 5/15/2043	1,600,000	1,591,908
Washington Mutual:		
"A6", Series 2004-AR4, 3.803%**, 6/25/2034	190,000	179,841
"A6", Series 2003-AR11, 3.985%, 10/25/2033	885,000	851,773
"A6", Series 2003-AR10, 4.065%**, 10/25/2033	1,620,000	1,566,001
"A7, Series 2004-AR9, 4.168%**, 8/25/2034	1,325,000	1,266,439
"1A6", Series 2005-AR12, 4.842%**, 10/25/2035	1,880,000	1,821,039
"1A3", Series 2005-AR16, 5.117%**, 12/25/2035	1,005,000	969,688
Wells Fargo Mortgage Backed Securities Trust:		
"2A17", Series 2005-AR10, 3.5%**, 6/25/2035	230,000	219,148
"2A14", Series 2005-AR10, 4.11%**, 6/25/2035	1,355,000	1,301,952
"2A4", Series 2005-AR10, 4.11%**, 6/25/2035	1,663,939	1,611,296
"B1", Series 2005-AR12, 4.325%**, 7/25/2035	935,475	886,657
"4A2", Series 2005-AR16, 4.993%**, 10/25/2035	1,470,000	1,421,857
"A3", Series 2006-1, 5.0%, 3/25/2021	1,943,914	1,853,402
"2A3", Series 2006-AR8, 5.24%, 4/25/2036	5,711,005	5,634,952
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $73,757,254)		**72,103,606**

Collateralized Mortgage Obligations 1.5%

	Principal Amount ($)(a)	Value ($)
Fannie Mae Whole Loan:		
"1A3", Series 2004-W1, 4.49%, 11/25/2043	202,590	201,521
"1A1", Series 2004-W15, 6.0%, 8/25/2044	990,228	980,290
Federal Home Loan Mortgage Corp.:		
"YN", Series 2852, 3.75%, 6/15/2024	410,000	394,174
"BG", Series 2640, 5.0%, 2/15/2032	510,000	477,635
"JD", Series 2778, 5.0%, 12/15/2032	290,000	270,673
"EG", Series 2836, 5.0%, 12/15/2032	455,000	423,829
"PE", Series 2898, 5.0%, 5/15/2033	1,715,000	1,597,524
"KD", Series 2915, 5.0%, 9/15/2033	1,177,000	1,095,313
"ND", Series 2938, 5.0%, 10/15/2033	170,000	158,114
"KG", Series 2987, 5.0%, 12/15/2034	1,360,000	1,260,342
"Z", Series 2173, 6.5%, 7/15/2029	60,398	61,299
"H", Series 2278, 6.5%, 1/15/2031	43,553	44,001
Federal National Mortgage Association:		
"NE", Series 2004-52, 4.5%, 7/25/2033	1,118,000	1,013,427
"QD", Series 2005-29, 5.0%, 8/25/2033	760,000	704,713
"PM", Series 2001-60, 6.0%, 3/25/2030	57,745	57,599
"HM", Series 2002-36, 6.5%, 12/25/2029	28,366	28,313

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
"A1", Series 2002-93, 6.5%, 3/25/2032	218,493	217,458
"C", Series 1997-M5, 6.74%, 8/25/2007	390,000	392,588
Total Collateralized Mortgage Obligations (Cost $9,853,793)		**9,378,813**

Municipal Bonds and Notes 1.8%

Brockton, MA, General Obligation, Economic Development, Series A, 6.45%, 5/1/2017 (c)	560,000	581,347
Broward County, FL, Airport Revenue, Airport Systems Revenue, Series J-2, 6.13%, 10/1/2007 (c)	1,000,000	1,006,280
Charlotte-Mecklenberg, NC, Hospital Authority, Health Care System Revenue, ETM, 5.0%, 8/1/2015	510,000	487,468
Hoboken, NJ, General Obligation, Series B, 3.8%, 1/1/2008 (c)	185,000	181,352
Illinois, Higher Education Revenue, Educational Facilities Authority, Series C, 7.1%, 7/1/2012 (c)	1,000,000	1,071,900
Jersey City, NJ, Water & Sewer Revenue, Municipal Utilities Authority, Water Revenue, Series B, 4.91%, 5/15/2015 (c)	385,000	362,204
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	215,000	208,445
Mashantucket, CT, Special Assessment Revenue, Western Pequot Tribe Special Revenue, Series A, 144A, 6.57%, 9/1/2013 (c)	1,285,000	1,315,699
Ohio, Sales & Special Tax Revenue, 7.6%, 10/1/2016 (c)	1,000,000	1,024,480
Passaic County, NJ, County General Obligation, 5.0%, 2/15/2017 (c)	1,120,000	1,067,181
Texas, American Campus Properties Student Housing Financing Ltd, 144A, 6.125%, 8/1/2023 (c)	1,040,000	1,043,109
Union County, NJ, Improvement Authority, Student Loan Revenue, 5.29%, 4/1/2018 (c)	1,185,000	1,128,855
Washington, State Economic Development Finance Authority Revenue, CSC Tacoma LLC Project, Series A, 3.5%, 10/1/2010 (c)	1,840,000	1,694,272
Yazoo County, MS, Sales & Special Tax Revenue, Series B, 4.3%, 9/1/2010 (c)	355,000	338,432
Total Municipal Bonds and Notes (Cost $11,894,590)		**11,511,024**

	Principal Amount ($)(a)	Value ($)

Loan Participation 0.1%

Nortel Networks Corp., LIBOR plus 3.25%, 8.87%** 2/15/2007 (cost $720,00)	720,000	**719,550**

US Treasury Obligations 3.9%

US Treasury Bill, 4.58%***, 7/20/2006 (d)	675,000	673,368
US Treasury Bonds:		
5.375%, 2/15/2031	2,992,000	3,043,660
6.0%, 2/15/2026	2,860,000	3,097,961
US Treasury Notes:		
4.25%, 10/31/2007	1,650,000	1,629,439
4.5%, 2/15/2009	1,150,000	1,131,807
4.5%, 11/15/2010	1,800,000	1,758,235
4.875%, 5/31/2008 (b)	1,800,000	1,789,945
4.875%, 5/15/2009	530,000	526,398
4.875%, 5/31/2011	1,260,000	1,247,203
5.125%, 5/15/2016 (b)	8,850,000	8,839,628
6.125%, 8/15/2007	1,280,000	1,291,549
Total US Treasury Obligations (Cost $25,105,691)		**25,029,193**

	Units	Value ($)

Other Investments 0.1%

Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029	170,000	137,700
IdleAire Technologies Corp. (Bond Unit), 144A, Step-up Coupon, 0% to 6/15/2008, 13.0% to 12/15/2012	270,000	202,500
Total Other Investments (Cost $318,871)		**340,200**

	Shares	Value ($)

Securities Lending Collateral 2.2%

Daily Assets Fund Institutional, 5.1% (e) (f) (Cost $14,284,250)	14,284,250	**14,284,250**

Cash Equivalents 3.8%

Cash Management QP Trust, 5.07% (g) (Cost $24,345,150)	24,345,150	**24,345,150**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $587,709,151)†	102.0	**651,245,107**
Other Assets and Liabilities, Net	(2.0)	**(12,542,067)**
Net Assets	100.0	**638,703,040**

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or the interest or has filed for bankruptcy. The following table represents bonds that are in default:*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	190,000	USD	190,156	188,100
Oxford Automotive, Inc.	12.5%	10/15/2010	254,019	USD	22,497	3,810
					$ 212,653	**$ 191,910**

The accompanying notes are an integral part of the financial statements.

** Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2006.

*** Annualized yield at time of purchase; not a coupon rate.

† The cost for federal income tax purposes was $595,062,028. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $56,183,079. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $77,385,877 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $21,202,798.

(a) Principal amount stated in US dollars unless otherwise noted.

(b) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $14,059,890 which is 2.2% of net assets.

(c) Bond is insured by one of these companies:

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group	0.5
Financial Guarantee Insurance Company	0.1
Financial Security Assurance, Inc.	0.6
MBIA Corp.	0.5

(d) At June 30, 2006, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.

(e) Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.

(f) Represents collateral held in connection with securities lending.

(g) Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

ETM: Bonds bearing the description ETM (escrow to maturity) are collateralized by US Treasury securities which are held in escrow and used to pay principal and interest on bonds so designated.

LIBOR: represents the London Interbank Offered Rate.

PIK: Denotes that all or a portion of the income is paid in-kind.

REIT: Real Estate Investment Trust

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and Federal Home Loan Corp. issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

At June 30, 2006, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Canada Government Bond	9/20/2006	13	1,307,052	1,284,861	(22,191)
10 Year Federal Republic of Germany Bond	9/7/2006	47	6,965,658	6,932,504	(33,154)
10 Year Japanese Government Bond	9/8/2006	3	3,448,081	3,451,153	3,072
Russell 2000 Index	9/14/2006	6	2,123,902	2,194,500	70,598
Russell Mini Futures	9/30/2006	4	276,333	292,600	16,267
10 Year US Treasury Note	9/20/2006	11	1,159,502	1,153,453	(6,049)
Total net unrealized appreciation					**28,543**

At June 30, 2006, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation ($)
10 Year Australian Bond	9/15/2006	29	2,214,413	2,189,800	24,613
2 Year Federal Republic of Germany Bond	9/7/2006	50	6,659,280	6,650,423	8,857
United Kingdom Treasury Bond	9/27/2006	22	4,468,508	4,430,317	38,191
Total net unrealized appreciation					**71,661**

At June 30, 2006, open credit default swap purchased was as follows:

Effective/Expiration Dates	Notional Amount ($)	Cash Flows paid by the Portfolio	Underlying Debt Obligation	Unrealized Depreciation ($)
6/20/2006 6/20/2011	654,469††	Fixed — 3.45%	Dow Jones CDX High Yield	(11,392)
Total net unrealized depreciation				**(11,392)**

Counterparty:

†† Chase Securities Inc.

The accompanying notes are an integral part of the financial statements.

As of June 30, 2006, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
JPY	536,924,000	USD	4,734,508	7/27/2006	22,967
USD	4,392,586	CAD	4,958,000	7/27/2006	52,707
USD	2,164,569	GBP	1,209,000	7/27/2006	72,497
USD	1,657,396	SGD	2,622,000	7/27/2006	1,317
EUR	20,163	USD	26,123	9/15/2006	201
EUR	541,309	USD	699,128	9/15/2006	3,205
USD	134,758	EUR	105,759	9/15/2006	1,209
Total unrealized appreciation					**154,103**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
USD	2,225	CAD	2,470	7/5/2006	(12)
CHF	1,522,000	USD	1,211,783	7/27/2006	(37,173)
EUR	313,000	USD	391,388	7/27/2006	(9,761)
SEK	25,149,000	USD	3,376,657	7/27/2006	(126,446)
USD	421,172	AUD	566,000	7/27/2006	(745)
Total unrealized depreciation					**(174,137)**

Currency Abbreviation

AUD	Australian Dollar	JPY	Japanese Yen
CAD	Canadian Dollar	SEK	Swedish Krona
CHF	Swiss Franc	SGD	Singapore Dollar
EUR	Euro	USD	United States Dollar
GBP	British Pound		

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $549,079,751) — including $14,059,890 of securities loaned	$	612,615,707
Investment in Daily Assets Fund Institutional (cost $14,284,250)*		14,284,250
Investment in Cash Management QP Trust (cost $24,345,150)		24,345,150
Total investments in securities, at value (cost $587,709,151)		651,245,107
Cash		39,751
Foreign currency, at value (cost $23,041)		22,338
Receivable for investments sold		2,881,209
Dividends receivable		256,903
Interest receivable		2,890,612
Receivable for daily variation margin on open futures contracts		34,615
Unrealized appreciation on forward foreign currency exchange contracts		154,103
Foreign taxes recoverable		4,799
Net receivable on closed forward foreign currency exchange contracts		2,461
Receivable for Portfolio shares sold		114
Other assets		9,703
Total assets		657,541,715
Liabilities		
Payable for investments purchased		3,557,463
Payable for Portfolio shares redeemed		474,638
Payable upon return of securities loaned		14,284,250
Unrealized depreciation on forward foreign currency exchange contracts		174,137
Unrealized depreciation on credit default swap contracts		11,392
Accrued management fee		159,226
Other accrued expenses and payables		177,569
Total liabilities		18,838,675
Net assets, at value	**$**	**638,703,040**
Net Assets		
Net assets consist of:		
Undistributed net investment income		9,312,101
Net unrealized appreciation (depreciation) on:		
Investments		63,535,956
Futures		100,204
Credit default swaps		(11,392)
Foreign currency related transactions		(4,996)
Accumulated net realized gain (loss)		(70,441,146)
Paid-in capital		636,212,313
Net assets, at value	**$**	**638,703,040**
Class A		
Net Asset Value, offering and redemption price per share ($606,894,527 ÷ 26,907,360 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**22.55**
Class B		
Net Asset Value, offering and redemption price per share ($31,808,513 ÷ 1,409,098 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**22.57**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $25,230)	$	3,416,897
Interest		7,397,580
Interest — Cash Management QP Trust		632,233
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		9,685
Total Income		11,456,395
Expenses:		
Management fee		1,514,532
Custodian fees		43,078
Distribution service fees (Class B)		41,342
Record keeping fees (Class B)		21,508
Auditing		24,530
Legal		13,282
Trustees' fees and expenses		44,380
Reports to shareholders		125,930
Other		76,148
Total expenses before expense reductions		1,904,730
Expense reductions		(146,675)
Total expenses after expense reductions		1,758,055
Net investment income (loss)		**9,698,340**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		12,951,772
Futures		(105,450)
Credit default swaps		27,587
Foreign currency related transactions		(4,453)
		12,869,456
Net unrealized appreciation (depreciation) during the period on:		
Investments		(10,856,857)
Futures		204,840
Credit default swaps		(11,392)
Foreign currency related transactions		(69,022)
		(10,732,431)
Net gain (loss) on investment transactions		**2,137,025**
Net increase (decrease) in net assets resulting from operations	**$**	**11,835,365**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 9,698,340	$ 18,012,229
Net realized gain (loss) on investment transactions	12,869,456	16,385,204
Net unrealized appreciation (depreciation) during the period on investment and foreign currency transactions	(10,732,431)	(2,011,011)
Net increase (decrease) in net assets resulting from operations	11,835,365	32,386,422
Distributions to shareholders from:		
Net investment income:		
Class A	(15,934,054)	(14,467,177)
Class B	(705,320)	(715,158)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,855,353	6,832,194
Net assets acquired in tax free reorganization	—	118,997,707
Reinvestment of distributions	15,934,054	14,467,177
Cost of shares redeemed	(61,737,442)	(125,051,390)
Net increase (decrease) in net assets from Class A share transactions	(41,948,035)	15,245,688
Class B		
Proceeds from shares sold	699,744	5,663,125
Reinvestment of distributions	705,320	715,158
Cost of shares redeemed	(3,032,619)	(6,295,649)
Net increase (decrease) in net assets from Class B share transactions	(1,627,555)	82,634
Increase (decrease) in net assets	(48,379,599)	32,532,409
Net assets at beginning of period	687,082,639	654,550,230
Net assets at end of period (including undistributed net investment income of $9,312,101 and $16,253,135, respectively)	**$ 638,703,040**	**$ 687,082,639**

Other Information		
Class A		
Shares outstanding at beginning of period	28,729,438	27,789,320
Shares sold	166,819	311,313
Shares issued in tax free reorganization	—	5,591,767
Shares issued to shareholders in reinvestment of distributions	696,419	672,579
Shares redeemed	(2,685,316)	(5,635,541)
Net increase (decrease) in Class A shares	(1,822,078)	940,118
Shares outstanding at end of period	**26,907,360**	**28,729,438**
Class B		
Shares outstanding at beginning of period	1,479,683	1,477,597
Shares sold	30,796	254,860
Shares issued to shareholders in reinvestment of distributions	30,773	33,201
Shares redeemed	(132,154)	(285,975)
Net increase (decrease) in Class B shares	(70,585)	2,086
Shares outstanding at end of period	**1,409,098**	**1,479,683**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$22.75**	**$22.37**	**$21.32**	**$18.66**	**$22.57**	**$25.91**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.33	.59	.47	.37	.47	.61
Net realized and unrealized gain (loss) on investment transactions	.05	.34	.93	2.90	(3.81)	(2.20)
Total from investment operations	.38	.93	1.40	3.27	(3.34)	(1.59)
Less distributions from:						
Net investment income	(.58)	(.55)	(.35)	(.61)	(.57)	(.80)
Net realized gain on investment transactions	—	—	—	—	—	(.95)
Total distributions	(.58)	(.55)	(.35)	(.61)	(.57)	(1.75)
Net asset value, end of period	**$22.55**	**$22.75**	**$22.37**	**$21.32**	**$18.66**	**$22.57**
Total Return (%)	1.68[c]**	4.30[c]	6.64	18.10	(15.17)	(6.09)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	607	653	622	667	640	861
Ratio of expenses before expense reduction (%)	.55*	.55	.59	.59	.58	.58
Ratio of expenses after expense reduction (%)	.51*	.53	.59	.59	.58	.58
Ratio of net investment income (%)	2.93*	2.66	2.18	1.88	2.32	2.63
Portfolio turnover rate (%)	107*	121[d]	131[d]	102[d]	140	115

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *Total return would have been lower had certain expenses not been reduced.*

d *The portfolio turnover rate including mortgage dollar roll transactions was 122%, 140% and 108% for the periods ended December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$22.72**	**$22.33**	**$21.28**	**$18.64**	**$19.46**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.29	.51	.39	.28	.18
Net realized and unrealized gain (loss) on investment transactions	.05	.35	.92	2.92	(1.00)
Total from investment operations	.34	.86	1.31	3.20	(.82)
Less distributions from:					
Net investment income	(.49)	(.47)	(.26)	(.56)	—
Net asset value, end of period	**$22.57**	**$22.72**	**$22.33**	**$21.28**	**$18.64**
Total Return (%)	1.46[d]**	3.90[d]	6.26	17.66	(4.21)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	32	34	33	21	.8
Ratio of expenses before expense reductions (%)	.93*	.95	.97	.99	.86*
Ratio of expenses after expense reductions (%)	.89*	.91	.97	.99	.86*
Ratio of net investment income (%)	2.55*	2.28	1.80	1.48	1.96*
Portfolio turnover rate (%)	107*	121[e]	131[e]	102[e]	140

a *For the six months ended June 30, 2006 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *Total return would have been lower had certain expenses not been reduced.*

e *The portfolio turnover rate including mortgage dollar roll transactions was 122%, 140% and 108% for the periods ended December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

* *Annualized*

** *Not annualized*

Information About Your Portfolio's Expenses

DWS Blue Chip VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,041.30	$1,039.00
Expenses Paid per $1,000*	$ 3.49	$ 5.41

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,021.37	$1,019.49
Expenses Paid per $1,000*	$ 3.46	$ 5.36

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Blue Chip VIP	.69%	1.07%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Blue Chip VIP

The broad equity market, as measured by the S&P 500 Index, had a return of 2.71% for the six-month period ended June 30, 2006. Value stocks, measured by the Russell 1000 Value Index, performed much better than growth stocks, measured by the Russell 1000 Growth Index, which had a negative return for the six-month period. With a return of 4.13% (Class A shares, unadjusted for contract charges), the Portfolio outperformed its benchmark, Russell 1000 Index, which posted a return of 2.76% for the first half of 2006.

The Portfolio's solid performance resulted primarily from the growth factors among the nine stock selection signals that guide our stock selection, which uses fundamental themes within a quantitative process across 24 distinct industry groups. Since industry weights are close to those of the benchmark, most differences in performance relative to the benchmark result from stock selection decisions. For the first half of 2006, stock selection in the materials sector contributed most to relative performance, followed by industrials and financials.

Among the strongest materials stocks were steel producer Nucor Corp., Southern Copper Corp. and Phelps Dodge Corp. These companies' revenue and earnings benefited from rising copper prices and growing global demand for copper and other metals, especially in China, where a construction boom continues. In industrials, a top-performing stock was Ryder System, Inc., which has built on its original trucking business to become a leader in supply chain management. Ryder stock moved higher after a strong first quarter prompted the company's management to increase its earnings guidance for 2006, and a large stock repurchase was completed in February. In the financials sector, The Goldman Sachs Group, Inc. performed well, benefiting from strong equity markets and extensive merger and acquisition activity.

In health care, stock of UnitedHealth Group Inc., a managed care company, peaked in December 2005 and then moved downward. Also negative was Pilgrim's Pride Corp., the second largest poultry processor in the US and Mexico. We have sold both of these stocks because of changes in their fundamentals.

Overall, we are pleased with the Portfolio's performance and its current positioning. Our stock selection process provides a good balance between value and growth, and we believe it may work well in many different market conditions.

Robert Wang, Jin Chen, *CFA* and Julie Abbett

Portfolio Managers, Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on its derivative positions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Index is an unmanaged index of the 1,000 largest-capitalization companies that are domiciled in the United States and whose common stocks are traded there.

Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Blue Chip VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	97%	98%
Cash Equivalents	3%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Financials	20%	19%
Information Technology	14%	17%
Industrials	13%	10%
Health Care	12%	15%
Consumer Discretionary	12%	13%
Energy	10%	9%
Consumer Staples	8%	8%
Materials	5%	4%
Utilities	3%	3%
Telecommunication Services	3%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 26. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Blue Chip VIP

	Shares	Value ($)
Common Stocks 97.3%		
Consumer Discretionary 11.4%		
Auto Components 0.2%		
TRW Automotive Holdings Corp.*	27,700	**755,656**
Hotels Restaurants & Leisure 2.3%		
Brinker International, Inc.	75,200	2,729,760
McDonald's Corp.	30,300	1,018,080
Starbucks Corp.*	106,700	4,028,992
		7,776,832
Leisure Equipment & Products 0.4%		
Hasbro, Inc.	79,100	**1,432,501**
Media 3.7%		
Comcast Corp. "A"*	52,400	1,715,576
John Wiley & Sons, Inc. "A"	10,700	355,240
McGraw-Hill Companies, Inc.	101,000	5,073,230
Regal Entertainment Group "A" (a)	33,600	682,752
The DIRECTV Group, Inc.*	280,800	4,633,200
		12,459,998
Multiline Retail 0.8%		
Sears Holdings Corp.*	18,300	**2,833,572**
Specialty Retail 3.0%		
Barnes & Noble, Inc.	102,000	3,723,000
Best Buy Co., Inc.	66,000	3,619,440
Claire's Stores, Inc.	102,500	2,614,775
		9,957,215
Textiles, Apparel & Luxury Goods 1.0%		
Polo Ralph Lauren Corp.	61,200	**3,359,880**
Consumer Staples 7.8%		
Beverages 3.1%		
Pepsi Bottling Group, Inc.	100,700	3,237,505
PepsiCo, Inc.	121,300	7,282,852
		10,520,357
Food & Staples Retailing 1.5%		
Costco Wholesale Corp.	2,000	114,260
Kroger Co.	218,200	4,769,852
Wal-Mart Stores, Inc.	100	4,817
		4,888,929
Food Products 0.4%		
General Mills, Inc.	5,200	268,632
H.J. Heinz Co.	27,300	1,125,306
		1,393,938
Household Products 2.4%		
Colgate-Palmolive Co.	88,400	5,295,160
Procter & Gamble Co.	52,400	2,913,440
		8,208,600
Tobacco 0.4%		
Altria Group, Inc.	19,200	1,409,856
Loews Corp - Carolina Group	600	30,822
		1,440,678
Energy 10.0%		
Energy Equipment & Services 0.5%		
Unit Corp.*	31,800	**1,809,102**
Oil, Gas & Consumable Fuels 9.5%		
Chevron Corp.	126,800	7,869,208
Devon Energy Corp.	73,800	4,458,258
EOG Resources, Inc.	52,600	3,647,284
ExxonMobil Corp.	152,340	9,346,059
Kerr-McGee Corp.	36,600	2,538,210
Valero Energy Corp.	61,000	4,057,720
XTO Energy, Inc.	1	44
		31,916,783
Financials 20.0%		
Capital Markets 5.0%		
Bear Stearns Companies, Inc.	1,600	224,128
Merrill Lynch & Co., Inc.	86,300	6,003,028
Morgan Stanley	72,700	4,595,367
The Goldman Sachs Group, Inc.	38,800	5,836,684
		16,659,207
Commercial Banks 2.9%		
KeyCorp.	700	24,976
US Bancorp.	73,200	2,260,416
Wells Fargo & Co.	113,500	7,613,580
		9,898,972
Diversified Financial Services 5.5%		
Bank of America Corp.	215,900	10,384,790
Citigroup, Inc.	171,800	8,287,632
		18,672,422
Insurance 4.5%		
American Financial Group, Inc.	1,500	64,350
Loews Corp.	145,700	5,165,065
MetLife, Inc.	103,500	5,300,235
Philadelphia Consolidated Holding Corp.*	113,500	3,445,860
W.R. Berkley Corp.	36,737	1,253,834
		15,229,344
Real Estate Investment Trusts 1.8%		
Apartment Investment & Management Co. "A" (REIT)	5,700	247,665
Equity Office Properties Trust (REIT)	33,700	1,230,387
Equity Residential (REIT)	19,900	890,127
Pan Pacific Retail Properties, Inc. (REIT)	1,600	110,992
ProLogis (REIT)	18,700	974,644
Rayonier, Inc.	12,300	466,293
Simon Property Group, Inc. (REIT)	13,400	1,111,396
Vornado Realty Trust (REIT)	10,800	1,053,540
		6,085,044
Thrifts & Mortgage Finance 0.3%		
Freddie Mac	17,400	**991,974**
Health Care 12.1%		
Biotechnology 1.5%		
Cephalon, Inc. (a)*	55,700	3,347,570
Genentech, Inc.*	22,300	1,824,140
		5,171,710

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Health Care Equipment & Supplies 1.5%		
Hillenbrand Industries, Inc.	14,500	703,251
Hospira, Inc.*	77,100	3,310,674
IDEXX Laboratories. Inc.*	16,700	1,254,671
		5,268,596
Health Care Providers & Services 3.4%		
AmerisourceBergen Corp.	91,400	3,831,488
Express Scripts, Inc.*	49,900	3,579,826
McKesson Corp.	86,600	4,094,448
		11,505,762
Life Sciences Tools & Services 1.2%		
Applera Corp. — Applied Biosystems Group	63,300	2,047,755
Millipore Corp.*	30,000	1,889,700
		3,937,455
Pharmaceuticals 4.5%		
Endo Pharmaceuticals Holdings, Inc.*	70,700	2,331,686
Kos Pharmaceuticals, Inc.*	56,600	2,129,292
Merck & Co., Inc.	68,500	2,495,455
Pfizer, Inc.	345,950	8,119,446
		15,075,879
Industrials 12.4%		
Aerospace & Defense 4.3%		
Boeing Co.	70,500	5,774,655
Lockheed Martin Corp.	33,500	2,403,290
Northrop Grumman Corp.	17,500	1,121,050
Raytheon Co.	116,000	5,170,120
		14,469,115
Commercial Services & Supplies 1.9%		
Republic Services, Inc.	116,700	4,707,678
Waste Management, Inc.	44,300	1,589,484
		6,297,162
Industrial Conglomerates 2.2%		
General Electric Co.	120,300	3,965,088
Teleflex, Inc.	62,700	3,387,054
		7,352,142
Machinery 1.2%		
Cummins, Inc.	33,200	**4,058,700**
Road & Rail 2.8%		
Ryder System, Inc.	74,400	4,347,192
Union Pacific Corp.	55,100	5,122,096
YRC Worldwide, Inc.*	100	4,211
		9,473,499
Information Technology 13.4%		
Communications Equipment 1.1%		
Corning, Inc.*	148,400	**3,589,796**
Computers & Peripherals 1.6%		
Hewlett-Packard Co.	168,800	5,347,584
Western Digital Corp.*	8,500	168,385
		5,515,969
Electronic Equipment & Instruments 0.6%		
Jabil Circuit, Inc.	73,600	**1,884,160**
Internet Software & Services 1.4%		
eBay, Inc.*	50,500	1,479,145
Google, Inc. "A"*	4,300	1,803,119
Yahoo!, Inc.*	40,600	1,339,800
		4,622,064
IT Services 1.7%		
Acxiom Corp.	62,600	1,565,000
Affiliated Computer Services, Inc. "A"*	12,200	629,642
Computer Sciences Corp.*	63,400	3,071,096
Hewitt Associates, Inc. "A"*	27,900	627,192
		5,892,930
Semiconductors & Semiconductor Equipment 5.5%		
Freescale Semiconductor, Inc. "B"*	91,100	2,678,340
Intel Corp.	316,400	5,995,780
Lam Research Corp.*	16,500	769,230
Micron Technology, Inc.*	168,000	2,530,080
National Semiconductor Corp.	109,000	2,599,650
Texas Instruments, Inc.	130,500	3,952,845
		18,525,925
Software 1.5%		
BMC Software, Inc.*	10,200	243,780
Cadence Design Systems, Inc.*	209,400	3,591,210
Microsoft Corp.	42,000	978,600
Symantec Corp.*	17,200	267,288
		5,080,878
Materials 4.4%		
Chemicals 0.9%		
Celanese Corp. "A"	156,700	**3,199,814**
Metals & Mining 3.5%		
Freeport-McMoRan Copper & Gold, Inc. "B"	59,900	3,319,059
Nucor Corp.	42,000	2,278,500
Phelps Dodge Corp.	39,000	3,204,240
Southern Copper Corp. (a)	31,100	2,771,943
United States Steel Corp.	2,600	182,312
		11,756,054
Telecommunication Services 2.8%		
Diversified Telecommunication Services 2.1%		
Verizon Communications, Inc.	212,500	**7,116,625**
Wireless Telecommunication Services 0.7%		
Crown Castle International Corp.*	57,300	1,979,142
United States Cellular Corp.*	4,200	254,520
		2,233,662
Utilities 3.0%		
Electric Utilities 2.8%		
Exelon Corp.	70,400	4,000,832
FirstEnergy Corp.	100,100	5,426,421
		9,427,253
Multi-Utilities 0.2%		
Sempra Energy	17,400	**791,352**
Total Common Stocks (Cost $309,037,906)		**328,537,506**
US Treasury Obligations 0.2%		
US Treasury Bills:		
4.58%**, 7/20/2006 (b)	730,000	728,236
4.635%**, 7/20/2006 (b)	40,000	39,901
Total US Treasury Obligations (Cost $768,138)		**768,137**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Securities Lending Collateral 1.3%		
Daily Assets Fund Institutional, 5.1% (c) (d) (Cost $4,245,070)	4,245,070	**4,245,070**
Cash Equivalents 2.6%		
Cash Management QP Trust, 5.07% (e) (Cost $8,626,815)	8,626,815	**8,626,815**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $322,677,929)†	101.4	**342,177,528**
Other Assets and Liabilities, Net	(1.4)	**(4,655,077)**
Net Assets	100.0	**337,522,451**

* *Non-income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $323,763,829. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $18,413,699. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $26,491,813 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $8,078,114.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $4,134,726 which is 1.2% of net assets.*

(b) *At June 30, 2006, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

REIT: Real Estate Investment Trust

At June 30, 2006, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
S&P 500 Index	9/14/2006	27	8,544,653	8,635,950	91,297

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $309,806,044 — including $4,134,726 of securities loaned)	$	329,305,643
Investment in Daily Assets Fund Institutional (cost $4,245,070)*		4,245,070
Investment in Cash Management QP Trust (cost $8,626,815)		8,626,815
Total investments in securities, at value (cost $322,677,929)		342,177,528
Cash		10,000
Dividends receivable		212,888
Interest receivable		52,066
Receivable for Portfolio shares sold		11
Other assets		6,184
Total assets		342,458,677

Liabilities		
Payable for Portfolio shares redeemed		450,875
Payable upon return of securities loaned		4,245,070
Payable for daily variation margin on open futures contracts		21,179
Accrued management fee		172,289
Other accrued expenses and payables		46,813
Total liabilities		4,936,226
Net assets, at value	**$**	**337,522,451**

Net Assets		
Net assets consist of:		
Undistributed net investment income		1,848,288
Net unrealized appreciation (depreciation) on:		
Investments		19,499,599
Futures		91,297
Accumulated net realized gain (loss)		21,435,980
Paid-in capital		294,647,287
Net assets, at value	**$**	**337,522,451**
Class A **Net Asset Value,** offering and redemption price per share ($293,668,452 ÷ 20,168,388 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.56**
Class B **Net Asset Value,** offering and redemption price per share ($43,853,999 ÷ 3,015,124 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.54**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends	$	3,055,571
Interest		16,029
Interest — Cash Management QP Trust		114,576
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		16,904
Total Income		3,203,080
Expenses:		
Management fee		1,106,327
Custodian fees		10,155
Distribution service fees (Class B)		56,438
Record keeping fees (Class B)		29,077
Auditing		23,594
Legal		8,199
Trustees' fees and expenses		9,433
Reports to shareholders		16,740
Other		10,674
Total expenses before expense reductions		1,270,637
Expense reductions		(3,261)
Total expenses after expense reductions		1,267,376
Net investment income (loss)		**1,935,704**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		22,992,218
Futures		(87,299)
		22,904,919
Net unrealized appreciation (depreciation) during the period on:		
Investments		(10,809,783)
Futures		138,520
		(10,671,263)
Net gain (loss) on investment transactions		**12,233,656**
Net increase (decrease) in net assets resulting from operations	**$**	**14,169,360**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 1,935,704	$ 3,107,588
Net realized gain (loss) on investment transactions	22,904,919	34,896,786
Net unrealized appreciation (depreciation) during the period on investment transactions	(10,671,263)	(6,225,182)
Net increase (decrease) in net assets resulting from operations	14,169,360	31,779,192
Distributions to shareholders from:		
Net investment income:		
Class A	(2,723,182)	(2,673,957)
Class B	(213,761)	(231,257)
Net realized gain:		
Class A	(15,496,612)	—
Class B	(2,298,427)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	14,149,974	25,386,809
Reinvestment of distributions	18,219,794	2,673,957
Cost of shares redeemed	(26,623,200)	(42,221,426)
Net increase (decrease) in net assets from Class A share transactions	5,746,568	(14,160,660)
Class B		
Proceeds from shares sold	7,415,358	13,487,197
Reinvestment of distributions	2,512,188	231,257
Cost of shares redeemed	(9,762,001)	(9,951,414)
Net increase (decrease) in net assets from Class B share transactions	165,545	3,767,040
Increase (decrease) in net assets	(650,509)	18,480,358
Net assets at beginning of period	338,172,960	319,692,602
Net assets at end of period (including undistributed net investment income of $1,848,288 and $2,849,527, respectively)	**$ 337,522,451**	**$ 338,172,960**

Other Information		
Class A		
Shares outstanding at beginning of period	19,752,422	20,734,323
Shares sold	951,472	1,864,296
Shares issued to shareholders in reinvestment of distributions	1,231,899	198,218
Shares redeemed	(1,767,405)	(3,044,415)
Net increase (decrease) in Class A shares	415,966	(981,901)
Shares outstanding at end of period	**20,168,388**	**19,752,422**
Class B		
Shares outstanding at beginning of period	2,986,497	2,700,912
Shares sold	492,198	979,006
Shares issued to shareholders in reinvestment of distributions	169,857	17,156
Shares redeemed	(633,428)	(710,577)
Net increase (decrease) in Class B shares	28,627	285,585
Shares outstanding at end of period	**3,015,124**	**2,986,497**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$14.88**	**$13.65**	**$11.84**	**$ 9.37**	**$12.07**	**$14.41**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.09	.14	.13	.08	.07	.05
Net realized and unrealized gain (loss) on investment transactions	.54	1.22	1.76	2.45	(2.73)	(2.33)
Total from investment operations	.63	1.36	1.89	2.53	(2.66)	(2.28)
Less distributions from:						
Net investment income	(.14)	(.13)	(.08)	(.06)	(.04)	(.06)
Net realized gain on investment transactions	(.81)	—	—	—	—	—
Total distributions	(.95)	(.13)	(.08)	(.06)	(.04)	(.06)
Net asset value, end of period	**$14.56**	**$14.88**	**$13.65**	**$11.84**	**$ 9.37**	**$12.07**
Total Return (%)	4.13**	10.06	16.04	27.25	(22.11)	(15.81)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	294	294	283	242	174	240
Ratio of expenses (%)	.69*	.70	.70	.71	.69	.69
Ratio of net investment income (%)	1.19*	1.00	1.08	.82	.65	.42
Portfolio turnover rate (%)	224*	288	249	182	195	118

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$14.83**	**$13.60**	**$11.80**	**$ 9.35**	**$10.28**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.06	.09	.09	.04	.03
Net realized and unrealized gain (loss) on investment transactions	.54	1.22	1.74	2.45	(.96)
Total from investment operations	.60	1.31	1.83	2.49	(.93)
Less distributions from:					
Net investment income	(.08)	(.08)	(.03)	(.04)	—
Net realized gain on investment transactions	(.81)	—	—	—	—
Total distributions	(.89)	(.08)	(.03)	(.04)	—
Net asset value, end of period	**$14.54**	**$14.83**	**$13.60**	**$11.80**	**$ 9.35**
Total Return (%)	3.90**	9.68	15.55	26.76	(9.05)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	44	44	37	17	.4
Ratio of expenses (%)	1.07*	1.09	1.08	1.10	.94*
Ratio of net investment income (%)	.81*	.61	.70	.43	.61*
Portfolio turnover rate (%)	224*	288	249	182	195

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Core Fixed Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$ 993.40	$ 991.60
Expenses Paid per $1,000*	$ 3.31	$ 5.18

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,021.47	$1,019.59
Expenses Paid per $1,000*	$ 3.36	$ 5.26

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Core Fixed Income VIP	.67%	1.05%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Core Fixed Income VIP

Our investment process emphasizes fundamental research and the identification of value at the individual-security level. Sector weightings are a product of that individual-security selection. As relative valuation has evolved over the monetary tightening cycle, the Portfolio that has resulted within our strategy is one with a different profile from the one that existed when it began. This change is most obvious in terms of our exposure to the largest of the sectors — single-family mortgage-backed and corporate securities. With these changes, the Portfolio returned –0.66% (Class A shares, unadjusted for contract charges) for the six-month semiannual period, compared with the –0.72% return of its benchmark, the Lehman Brothers Aggregate Bond Index.

The corporate sector came under pressure during the period. While underlying corporate fundamentals remain solid, fallout from this year's yield-curve spread widening in the higher-risk sectors (high yield and emerging markets) were among other growing concerns. Our exposure to energy-related corporates had a modest drag on performance, as did holdings in hybrid capital securities (a class of securities with characteristics that make it equity-like from the issuer's perspective yet debt-like for the investor). Our exposure to the corporate sector has declined gradually, on a valuation basis, from overweight to slightly underweight as compared with the benchmark's exposure.

Our strategy has gradually increased exposure to the single-family mortgage-backed sector as corporate holdings have declined. We are currently overweight in single-family mortgage-backed securities (MBS) in contrast to a neutral weighting two years ago. However, the entire increase came in the form of structured issues such as CMO PAC bonds and hybrid ARMS (adjustable-rate mortgages that initially have a fixed coupon rate). These issues are generally less sensitive to given changes in interest rates and volatility and the net effect of our approach to the mortgage-backed sector contributed modest resiliency to the Portfolio for the period.

As the macro-level debate about the effects of rising energy prices and interest rates has raged, we have gone about our usual work of creating a Portfolio structure driven by value at the security level. We believe this structure can perform well in a more difficult environment of wider yield-curve spreads and higher volatility — just the kind of environment that could result if the US Federal Reserve's recently voiced concerns regarding growth prove correct.

Gary W. Bartlett, CFA	J. Christopher Gagnier	Daniel R. Taylor, CFA
Warren S. Davis, III	William T. Lissenden	Timothy C. Vile, CFA
Thomas J. Flaherty		

Portfolio Managers, Aberdeen Asset Management Inc., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers Aggregate Bond Index is an unmanaged index representing domestic taxable investment-grade bonds, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities with average maturities of one year or more.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Core Fixed Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Commercial and Non-Agency Mortgage Backed Securities	26%	18%
US Treasury Obligations	17%	15%
Corporate Bonds	16%	15%
Collateralized Mortgage Obligations	12%	21%
US Government Agency Sponsored Pass-Throughs	10%	9%
Municipal Bonds and Notes	5%	5%
Asset Backed	4%	7%
Cash Equivalents	4%	5%
Foreign Bonds — US$ Denominated	4%	5%
Preferred Stocks	2%	—
	100%	100%

Corporate and Foreign Bonds Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/06**	**12/31/05**
Financials	36%	38%
Utilities	18%	13%
Consumer Discretionary	14%	17%
Energy	7%	7%
Telecommunication Services	7%	9%
Industrials	7%	6%
Materials	6%	8%
Health Care	5%	2%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
US Government and Agencies	39%	45%
AAA*	39%	32%
AA	1%	2%
A	8%	7%
BBB	12%	12%
BB	1%	2%
	100%	100%

* *Includes cash equivalents*

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/06**	**12/31/05**
Under 1 year	7%	10%
1–4.99 years	42%	34%
5–9.99 years	40%	43%
10–14.99 years	2%	4%
15 years or greater	9%	9%
	100%	100%

Asset allocation, corporate and foreign bonds diversification, quality and effective maturity are subject to change.

Weighted average effective maturity: 6.1 years and 5.4 years, respectively.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 35. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Core Fixed Income VIP

	Principal Amount ($)	Value ($)
Corporate Bonds 15.7%		
Consumer Discretionary 2.7%		
Auburn Hills Trust, 12.375%, 5/1/2020	160,000	225,839
Comcast Cable Communications Holdings, Inc., 9.455%, 11/15/2022	365,000	453,511
Comcast MO of Delaware, Inc., 9.0%, 9/1/2008	490,000	520,824
DaimlerChrysler NA Holding Corp.:		
4.75%, 1/15/2008	722,000	710,195
Series E, 5.679%*, 10/31/2008	813,000	816,608
Harrah's Operating Co., Inc., 5.625%, 6/1/2015	1,752,000	1,620,467
TCI Communications, Inc., 8.75%, 8/1/2015	848,000	968,899
Tele-Communications, Inc.:		
9.875%, 6/15/2022	250,000	315,697
10.125%, 4/15/2022	363,000	461,868
Time Warner, Inc.:		
7.625%, 4/15/2031	1,714,000	1,845,507
7.7%, 5/1/2032	243,000	264,105
Viacom, Inc.:		
144A, 5.75%, 4/30/2011	830,000	815,241
144A, 6.875%, 4/30/2036	761,000	734,411
		9,753,172
Energy 1.5%		
Chesapeake Energy Corp.:		
6.375%, 6/15/2015	362,000	335,755
7.625%, 7/15/2013	215,000	216,344
Constellation Energy Group, 7.6%, 4/1/2032	730,000	795,783
Dominion Resources, Inc., 7.5%, 6/30/2066 (a)	1,845,000	1,833,607
Enterprise Products Operating LP:		
Series B, 5.0%, 3/1/2015 (a)	517,000	466,879
7.5%, 2/1/2011	580,000	608,630
Tri-State Generation & Transmission Association, 144A, 6.04%, 1/31/2018	1,190,000	1,167,256
		5,424,254
Financials 5.0%		
American General Finance Corp., Series I, 4.875%, 5/15/2010	735,000	710,260
Ameriprise Financial, Inc., 7.518%, 6/1/2066	480,000	482,906
ASIF Global Finance XVIII, 144A, 3.85%, 11/26/2007	539,000	526,247
BAC Capital Trust XI, 6.625%, 5/23/2036	700,000	691,496
Erac USA Finance Co.:		
144A, 5.9%, 11/15/2015	330,000	319,745
144A, 8.0%, 1/15/2011	1,346,000	1,454,236
ERP Operating LP, 6.95%, 3/2/2011	112,000	116,790
Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	940,000	1,042,959
HSBC Holdings PLC, 6.5%, 5/2/2036 (a)	1,200,000	1,179,694
ILFC E-Capital Trust I, 144A, 5.9%, 12/21/2065 (a)	1,417,000	1,381,299
ILFC E-Capital Trust II, 144A, 6.25%, 12/21/2065	1,205,000	1,138,503
Merrill Lynch & Co., Inc., 6.05%, 5/16/2016	1,730,000	1,718,604
Oil Insurance Ltd., 144A, 7.558%, 12/29/2049	2,890,000	2,876,966
Reinsurance Group of America, Inc., 6.75%, 12/15/2065	1,045,000	962,163
Residential Capital Corp., 6.5%, 4/17/2013	820,000	804,704
Sovereign Capital Trust VI, 7.908%, 6/13/2036	850,000	872,618
The Goldman Sachs Group, Inc., 4.75%, 7/15/2013	384,000	357,265
United Dominion Realty Trust, Inc., Series E, (REIT), 3.9%, 3/15/2010	345,000	323,281
Verizon Global Funding Corp., 7.75%, 12/1/2030	1,002,000	1,080,705
		18,040,441
Health Care 1.0%		
Lincoln National Corp., 7.0%, 5/17/2066 (a)	3,705,000	**3,676,264**
Industrials 0.9%		
D.R. Horton, Inc., 5.375%, 6/15/2012 (a)	1,421,000	1,327,878
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2015	469,000	410,961
8.625%, 1/15/2017 (a)	340,000	337,450
Pulte Homes, Inc., 7.875%, 8/1/2011	930,000	976,072
Standard Pacific Corp., 6.5%, 8/15/2010	255,000	239,063
		3,291,424
Telecommunication Services 0.9%		
AT&T, Inc.:		
5.875%, 2/1/2012	1,333,000	1,320,800
6.8%, 5/15/2036 (a)	793,000	786,003
Embarq Corp., 7.995%, 6/1/2036	830,000	834,236
Verizon New England, Inc., 6.5%, 9/15/2011	199,000	199,062
		3,140,101
Utilities 3.7%		
Appalachian Power Co., 6.375%, 4/1/2036	1,275,000	1,220,279
Centerior Energy Corp., Series B, 7.13%, 7/1/2007	1,490,000	1,509,237
Consumers Energy Co.:		
Series F, 4.0%, 5/15/2010	1,655,000	1,540,769
5.0%, 2/15/2012	1,160,000	1,096,924
Entergy Louisiana LLC, 6.3%, 9/1/2035	285,000	262,048
Entergy Mississippi, Inc., 5.92%, 2/1/2016	400,000	384,700
Nevada Power Co., 144A, 6.65%, 4/1/2036	1,470,000	1,388,493

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Pedernales Electric Cooperative, Series O2-A, 144A, 6.202%, 11/15/2032	1,715,000	1,715,240
PSI Energy, Inc., 6.12%, 10/15/2035	830,000	771,582
Sempra Energy, 4.621%, 5/17/2007	1,510,000	1,495,287
TXU Energy Co., 7.0%, 3/15/2013	585,000	597,132
Xcel Energy, Inc., 7.0%, 12/1/2010	1,240,000	1,291,631
		13,273,322
Total Corporate Bonds (Cost $58,462,682)		**56,598,978**

Foreign Bonds — US$ Denominated 4.2%

Financials 2.1%

	Principal Amount ($)	Value ($)
DBS Capital Funding Corp., 144A, 7.657%, 3/15/2011	1,330,000	1,416,764
Deutsche Telekom International Finance BV, 5.75%, 3/23/2016	1,385,000	1,307,176
Mantis Reef Ltd., 144A, 4.692%, 11/14/2008	2,120,000	2,054,814
Mizuho Financial Group, (Cayman), 8.375%, 12/29/2049	1,995,000	2,091,159
Royal Bank of Scotland Group PLC, Series 1, 9.118%, 3/31/2049	745,000	818,159
		7,688,072

Industrials 0.5%

	Principal Amount ($)	Value ($)
Tyco International Group SA, 6.75%, 2/15/2011	1,627,000	**1,678,657**

Materials 1.1%

	Principal Amount ($)	Value ($)
Celulosa Arauco y Constitucion SA, 5.625%, 4/20/2015	1,295,000	1,206,025
Sociedad Concesionaria Autopista Central, 144A, 6.223%, 12/15/2026	1,915,000	1,923,177
Stora Enso Oyj, 144A, 7.25%, 4/15/2036	885,000	863,891
		3,993,093

Telecommunication Services 0.5%

	Principal Amount ($)	Value ($)
Telecom Italia Capital:		
4.0%, 1/15/2010	466,000	436,071
4.95%, 9/30/2014	816,000	730,530
5.25%, 11/15/2013	850,000	785,797
		1,952,398
Total Foreign Bonds — US$ Denominated (Cost $15,791,037)		**15,312,220**

Asset Backed 4.6%

Automobile Receivables 0.3%

	Principal Amount ($)	Value ($)
MMCA Automobile Trust:		
"A4", Series 2002-4, 3.05%, 11/16/2009	259,818	258,076
"A4", Series 2002-2, 4.3%, 3/15/2010	137,214	137,093
"B", Series 2002-2, 4.67%, 3/15/2010	486,668	482,685
"B", Series 2002-1, 5.37%, 1/15/2010	181,310	180,680
		1,058,534

Home Equity Loans 4.3%

	Principal Amount ($)	Value ($)
Aegis Asset Backed Securities Trust:		
"N1", Series 2005-5N, 144A, 4.5%, 12/25/2023	801,085	791,779
"N1", Series 2005-3N, 144A, 4.75%, 8/25/2035	402,002	399,999
Countrywide Asset-Backed Certificates:		
"AF2", Series 2005-7, 4.367%, 11/25/2035	2,340,000	2,302,745
"1AF6", Series 2006-11, 6.15%, 9/25/2046	1,830,000	1,822,525
Credit-Based Asset Servicing and Securities, "A3", Series 2004-CB4, 4.632%, 5/25/2035	512,864	510,423
Encore Credit Receivables NIM Trust, "NOTE", Series 2005-4, 144A, 4.5%, 1/25/2036	691,504	683,540
Merrill Lynch Mortgage Investors, Inc., "A1A", Series 2005-NCB, 5.451%, 7/25/2036	851,222	846,007
New Century Home Equity Loan Trust, "A2", Series 2005-A, 4.461%, 8/25/2035	1,790,000	1,763,443
Novastar NIM Trust, "NOTE", Series 2005-N1, 144A, 4.777%, 10/26/2035	413,353	411,355
Park Place Securities NIM Trust, "A", Series 2005-WCW1, 144A, 4.25%, 9/25/2035	568,516	559,351
Residential Asset Securities Corp., "AI6", Series 2000-KS1, 7.905%, 2/25/2031	1,057,379	1,053,504
Securitized Asset Backed NIM Trust, "NIM", Series 2005-FR4, 144A, 6.0%, 1/25/2036	1,354,611	1,344,222
Terwin Mortgage Trust, "AF2", Series 2005-14HE, 4.849%, 8/25/2036	3,094,000	3,004,288
		15,493,181
Total Asset Backed (Cost $16,769,405)		**16,551,715**

Preferred Stocks 1.9%

	Shares	Value ($)
Arch Capital Group Ltd., 8.0%	7,384	185,754
Dresdner Funding Trust I, 144A, 8.151%	715,000	796,995
Farm Credit Bank of Texas, Series 1, 7.561%	325,000	339,430
MUFG Capital Finance 1 Ltd., 6.346%	2,550,000	2,459,704
Wachovia Capital Trust III, 5.8%	2,290,000	2,222,221
ZFS Finance USA Trust I 144A, 6.15% (a)	1,000,000	958,071
Total Preferred Stocks (Cost $7,195,571)		**6,962,175**

US Government Agency Sponsored Pass-Throughs 10.7%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.:		
4.5%, with various maturities from 7/1/2018 until 8/1/2018	4,734,873	4,485,773

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
6.0%, with various maturities from 12/1/2025 until 12/1/2034	2,906,243	2,878,494
Federal National Mortgage Association:		
4.418%*, 1/1/2035	1,563,370	1,495,898
4.5%, with various maturities from 8/1/2033 until 10/1/2033	3,340,539	3,043,901
5.0%, with various maturities from 4/1/2025 until 2/1/2034	3,453,009	3,265,105
5.5%, with various maturities from 7/1/2024 until 4/1/2026	6,771,127	6,577,520
6.0%, 4/1/2024	1,847,140	1,840,025
6.31%, 6/1/2008	1,500,000	1,505,740
6.5%, with various maturities from 3/1/2017 until 6/1/2036 (f)	12,578,001	12,646,917
7.13%, 1/1/2012	1,095,519	1,092,608
8.0%, 9/1/2015	42,119	44,331
Total US Government Agency Sponsored Pass-Throughs (Cost $39,871,235)		**38,876,312**

Commercial and Non-Agency Mortgage-Backed Securities 26.8%

	Principal Amount ($)	Value ($)
Adjustable Rate Mortgage Trust:		
"3A31", Series 2005-10, 5.431%, 1/25/2036	1,265,000	1,225,479
"1A4", Series 2006-2, 5.781%, 5/25/2036	1,705,000	1,681,984
Banc of America Commercial Mortgage, Inc., "A4", Series 2005-5, 5.115%, 10/10/2045	2,635,000	2,491,224
Bear Stearns Adjustable Rate Mortgage Trust:		
"2A3", Series 2005-4, 4.45%*, 8/25/2035	1,185,000	1,133,265
"2A2", Series 2005-4, 4.567%*, 8/25/2035	1,720,000	1,649,621
"A1", Series 2006-1, 4.625%*, 2/25/2036	4,265,825	4,127,358
Chase Mortgage Finance Corp., "3A1", Series 2005-A1, 5.277%*, 12/25/2035	2,820,251	2,757,447
Citicorp Mortgage Securities, Inc.:		
"A4", Series 2003-3, 5.5%, 3/25/2033	505,096	502,593
"1A1", Series 2004-8, 5.5%, 10/25/2034	1,248,166	1,232,551
Citigroup Commercial Mortgage Trust, "ASB", Series 2006-C4, 5.721%, 3/15/2049	2,740,000	2,727,163
Citigroup Mortgage Loan Trust, Inc.:		
"2A1", Series 2006-AR1, 4.7%*, 3/25/2036	1,409,705	1,367,968
"1A1", Series 2006-AR1, 4.9%*, 10/25/2035	498,672	487,819
"1A2", Series 2006-AR2, 5.565%, 3/25/2036	2,475,496	2,449,482
"1A3A", Series 2006-AR5, 5.957%, 6/25/2036	1,820,000	1,811,881
"1A2", Series 2004-NCM-1, 6.5%, 7/25/2034	993,980	996,465
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	1,249,167	1,255,413
Countrywide Alternative Loan Trust:		
"A2", Series 2003-6T2, 5.0%, 6/25/2033	853,748	843,718
"A2", Series 2003-21T1, 5.25%, 12/25/2033	1,465,186	1,444,779
"A6", Series 2004-14T2, 5.5%, 8/25/2034	1,441,436	1,424,344
"7A1", Series 2004-J2, 6.0%, 12/25/2033	372,479	362,818
"1A1", Series 2004-J1, 6.0%, 2/25/2034	268,919	266,541
First Union-Lehman Brothers Commercial Mortgage, "A3", Series 1997-C1, 7.38%, 4/18/2029	560,822	563,563
GE Capital Commercial Mortgage Corp., "AAB", Series 2005-C3, 4.94%, 7/10/2045	1,915,000	1,812,742
GMAC Mortgage Corp. Loan Trust, "A1", Series 2006-J1, 5.75%, 4/25/2036	3,511,891	3,475,669
Greenwich Capital Commercial Funding Corp., "AAB", Series 2006-GG7, 6.11%, 9/10/2015	1,810,000	1,816,060
GS Mortgage Securities Corp. II:		
"A4", Series 2005-GG4, 4.761%, 7/10/2039	2,705,000	2,497,901
"C", Series 1998-C1, 6.91%, 10/18/2030	1,260,000	1,287,432
JPMorgan Chase Commercial Mortgage Securities Corp., "A4", Series 2005-LDP5, 5.345%, 12/15/2044	3,305,000	3,161,990
JPMorgan Mortgage Trust:		
"7A1", Series 2006-A3, 4.584%, 4/25/2035	3,528,636	3,422,319
"2A4", Series 2006-A2, 5.77%, 4/25/2036	2,565,000	2,502,363
LB-UBS Commercial Mortgage Trust, "A4", Series 2005-C7, 5.197%, 11/15/2030	1,525,000	1,453,729
Lehman Mortgage Trust:		
"3A3", Series 2006-1, 5.5%, 2/25/2036	1,860,000	1,833,004
"1A10", Series 2006-3, 6.0%, 7/25/2036	1,825,000	1,815,590
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	643,637	635,676
"3A1", Series 2004-5, 6.5%, 6/25/2034	49,608	49,484
"5A1", Series 2005-2, 6.5%, 12/25/2034	227,524	226,813
"8A1", Series 2004-3, 7.0%, 4/25/2034	124,193	123,875
Master Asset Securitization Trust:		
"8A1", Series 2003-6, 5.5%, 7/25/2033	686,955	654,969
"2A7", Series 2003-9, 5.5%, 10/25/2033	1,266,932	1,205,565
Merrill Lynch Mortgage Investors Trust, "A2", Series 2005-A5, 4.566%, 6/25/2035	210,000	199,631
Mortgage Capital Funding, Inc., "A2", Series 1998-MC3, 6.337%, 11/18/2031	1,421,490	1,432,066
Residential Accredit Loans, Inc.:		
"CB", Series 2004-QS2, 5.75%, 2/25/2034	882,894	855,580

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
"A2", Series 2006-QS4, 6.0%, 4/25/2036	2,746,766	2,732,605
Structured Adjustable Rate Mortgage Loan Trust:		
"6A3", Series 2005-21, 5.4%, 11/25/2035	1,485,000	1,432,562
"2A1", Series 2006-1, 5.664%, 2/25/2036	1,633,354	1,611,798
"1A1", Series 2005-18, 5.703%, 9/25/2035	1,378,794	1,362,618
"2A3", Series 2006-6, 6.0%, 7/25/2036	1,800,000	1,768,219
Structured Asset Securities Corp., "4A1", Series 2005-6, 5.0%, 5/25/2035	835,860	777,873
Wachovia Mortgage Loan Trust LLC, "3A1", Series 2005-B, 5.16%*, 10/20/2035	2,632,337	2,570,139
Washington Mutual:		
"A7, Series 2004-AR9, 4.168%, 8/25/2034	1,393,000	1,331,433
"2A1", Series 2002-S8, 4.5%, 1/25/2018	325,521	322,680
"1A3", Series 2005-AR16, 5.117%, 12/25/2035	1,660,000	1,601,674
"4A", Series 2004-CB2, 6.5%, 8/25/2034	200,382	200,883
Wells Fargo Mortgage Backed Securities Trust:		
"A6", Series 2004-N, 4.0%, 8/25/2034	2,350,000	2,237,388
"1A6", Series 2003-1, 4.5%, 2/25/2018	194,289	192,680
"4A2", Series 2005-AR16, 4.993%, 10/25/2035	2,385,000	2,306,890
"2A5", Series 2006-AR2, 5.093%*, 3/25/2036	5,779,051	5,664,435
"A4", Series 2005-AR14, 5.387%*, 8/25/2035	1,700,000	1,638,460
"A1", Series 2006-3, 5.5%, 3/25/2036	2,338,226	2,296,364
"2A5", Series 2006-AR1, 5.568%*, 3/25/2036	1,700,000	1,654,780
"1A3", Series 2006-6, 5.75%, 5/25/2036	1,998,063	1,975,095
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $98,616,481)		**96,944,510**

Collateralized Mortgage Obligations 12.4%

	Principal Amount ($)	Value ($)
Fannie Mae Whole Loan:		
"2A3", Series 2003-W3, 4.16%, 6/25/2042	246,543	245,177
"A2", Series 2004-W4, 5.0%, 6/25/2034	2,115,000	2,085,916
"1A1", Series 2004-W15, 6.0%, 8/25/2044	1,450,430	1,435,873
Federal Home Loan Mortgage Corp.:		
"KB", Series 2552, 4.25%, 6/15/2027	979,759	965,142
"HG", Series 2543, 4.75%, 9/15/2028	821,292	808,978
"PE", Series 2721, 5.0%, 1/15/2023	135,000	126,327
"EW", Series 2545, 5.0%, 3/15/2029	1,251,669	1,231,475
"BG", Series 2640, 5.0%, 2/15/2032	2,060,000	1,929,270
"PD", Series 2783, 5.0%, 1/15/2033	1,283,000	1,201,919
"TE", Series 2780, 5.0%, 1/15/2033	1,785,000	1,667,474
"NE", Series 2802, 5.0%, 2/15/2033	2,640,000	2,463,494
"OE", Series 2840, 5.0%, 2/15/2033	2,780,000	2,596,580
"PD", Series 2890, 5.0%, 3/15/2033	1,485,000	1,383,989
"OG", Series 2889, 5.0%, 5/15/2033	1,770,000	1,647,962
"PE", Series 2898, 5.0%, 5/15/2033	860,000	801,091
"XD", Series 2941, 5.0%, 5/15/2033	1,055,000	980,410
"PE", Series 2864, 5.0%, 6/15/2033	2,275,000	2,124,580
"UE", Series 2911, 5.0%, 6/15/2033	3,055,000	2,842,531
"BG", Series 2869, 5.0%, 7/15/2033	335,000	312,714
"KD", Series 2915, 5.0%, 9/15/2033	1,341,000	1,247,931
"NE", Series 2921, 5.0%, 9/15/2033	2,275,000	2,106,943
"QE", Series 2991, 5.0%, 8/15/2034	2,530,000	2,345,611
"PE", Series 2378, 5.5%, 11/15/2016	1,765,000	1,754,728
"CH", Series 2390, 5.5%, 12/15/2016	440,000	434,710
"PE", Series 2512, 5.5%, 2/15/2022	45,000	44,799
"YA", Series 2841, 5.5%, 7/15/2027	2,188,451	2,171,427
"PE", Series 2165, 6.0%, 6/15/2029	1,825,000	1,817,832
Federal National Mortgage Association:		
"PE", Series 2005-44, 5.0%, 7/25/2033	650,000	602,817
"QD", Series 2005-29, 5.0%, 8/25/2033	435,000	403,355
"HE", Series 2005-22, 5.0%, 10/25/2033	1,540,000	1,429,178
"PG", Series 2002-3, 5.5%, 2/25/2017	500,000	495,329
"QC", Series 2002-11, 5.5%, 3/25/2017	640,000	634,425
"VD", Series 2002-56, 6.0%, 4/25/2020	72,223	72,088
"PH", Series 1999-19, 6.0%, 5/25/2029	1,830,000	1,825,509
"PM", Series 2001-60, 6.0%, 3/25/2030	31,416	31,337
"A2", Series 1998-M6, 6.32%, 8/15/2008	614,561	620,091
"HM", Series 2002-36, 6.5%, 12/25/2029	21,878	21,837
Total Collateralized Mortgage Obligations (Cost $46,827,482)		**44,910,849**

Municipal Bonds and Notes 5.2%

	Principal Amount ($)	Value ($)
Brockton, MA, General Obligation, Economic Development, Series A, Series A, 6.45%, 5/1/2017 (b)	1,530,000	1,588,324

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Illinois, Higher Education Revenue, 7.05%, 7/1/2009 (b)	1,410,000	1,465,864
Illinois, Chicago Heights District, Series B, 7.55%, 12/1/2014 (b)	1,000,000	1,099,070
Indiana, Bond Bank Revenue, School Severance Funding, Series 11, 6.01%, 7/15/2021 (b)	1,965,000	1,952,463
Jersey City, NJ, Municipal Utilities Authority, Water Revenue, 4.55%, 5/15/2012 (b)	1,000,000	944,680
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	945,000	916,187
Los Angeles, CA, Community Redevelopment Agency, Financing Authority Revenue, Bunker Hill Project, 5.83%, 12/1/2017 (b)	2,500,000	2,478,300
Menasha, WI, Anticipation Notes, Series B, 5.65%, 9/1/2009	1,310,000	1,302,664
New York, General Obligation, Environmental Facilities Corp., 4.95%, 1/1/2013 (b)	1,500,000	1,442,325
Oklahoma City, OK, Airport Revenue, 5.2%, 10/1/2012 (b)	1,430,000	1,387,372
Oregon, School Boards Association, Pension Deferred Interest, Series A, Zero Coupon, 6/30/2017 (b)	3,830,000	2,036,564
Portland, OR, River District, Urban Renewal & Redevelopment, Series B, 3.35%, 6/15/2010 (b)	1,550,000	1,431,828
Trenton, NJ, School District General Obligation, 4.3%, 4/1/2011 (b)	1,040,000	980,574
Total Municipal Bonds and Notes (Cost $19,439,927)		**19,026,215**

US Treasury Obligations 16.9%

	Principal Amount ($)	Value ($)
US Treasury Bonds:		
6.0%, 2/15/2026 (a)	10,318,000	11,176,489
7.25%, 5/15/2016 (a)	4,491,000	5,200,088
US Treasury Notes:		
2.875%, 11/30/2006 (a)	4,480,000	4,436,598
4.25%, 11/15/2013 (a)	6,253,000	5,917,389
4.5%, 11/15/2010 (a)	25,048,000	24,466,811
4.5%, 2/28/2011 (a)	10,191,000	9,937,020
4.875%, 2/15/2012 (a)	242,000	239,353
Total US Treasury Obligations (Cost $63,033,828)		**61,373,748**

Securities Lending Collateral 18.7%

Daily Assets Fund Institutional, 5.1% (c) (d) (Cost $67,701,609)	67,701,609	**67,701,609**

Cash Equivalents 4.6%

Cash Management QP Trust, 5.07% (e) (Cost $16,492,241)	16,492,241	**16,492,241**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $450,201,498)†	121.7	**440,750,572**
Other Assets and Liabilities, Net	(21.7)	**(78,602,787)**
Net Assets	100.0	**362,147,785**

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2006.*

† *The cost for federal income tax purposes was $450,232,141. At June 30, 2006, net unrealized depreciation for all securities based on tax cost was $9,481,569. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $212,319 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $9,693,888.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $66,697,900 which is 18.4% of net assets.*

(b) *Bond is insured by one of these companies:*

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group	1.1
Financial Guaranty Insurance Co.	1.9
Financial Security Assurance Inc.	0.7
MBIA Corp.	0.3
XL Capital Insurance	0.5

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(f) *Mortgage dollar rolls included.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $366,007,648) — including $66,697,900 of securities loaned	$	356,556,722
Investment in Daily Assets Fund Institutional (cost $67,701,609)*		67,701,609
Investment in Cash Management QP Trust (cost $16,492,241)		16,492,241
Total investments in securities, at value (cost $450,201,498)		440,750,572
Cash		1,802,711
Receivable for investments purchased		1,754,206
Interest receivable		2,719,927
Receivable for Portfolio shares sold		16,136
Other assets		6,357
Total assets		447,049,909
Liabilities		
Payable for investments purchased		11,896,768
Payable upon return of securities loaned		67,701,609
Payable for investments purchased — mortgage dollar rolls		4,132,190
Payable for Portfolio shares redeemed		892,707
Accrued management fee		170,966
Other accrued expenses and payables		107,884
Total liabilities		84,902,124
Net assets, at value	**$**	**362,147,785**
Net Assets		
Net assets consist of:		
Undistributed net investment income		6,963,935
Net unrealized appreciation (depreciation) on investments		(9,450,926)
Accumulated net realized gain (loss)		(4,782,370)
Paid-in capital		369,417,146
Net assets, at value	**$**	**362,147,785**
Class A		
Net Asset Value, offering and redemption price per share ($279,502,696 ÷ 24,742,586 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.30**
Class B		
Net Asset Value, offering and redemption price per share ($82,645,089 ÷ 7,316,641 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.30**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Interest	$	8,495,466
Interest — Cash Management QP Trust		262,013
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		24,841
Dividends — unaffiliated issuers		10,998
Total Income		8,793,318
Expenses:		
Management fee		1,030,698
Custodian fees		10,301
Distribution service fees (Class B)		106,749
Record keeping fees (Class B)		58,336
Auditing		22,447
Legal		8,608
Trustees' fees and expenses		12,165
Reports to shareholders		30,227
Other		33,654
Total expenses before expense reductions		1,313,185
Expense reductions		(3,266)
Total expenses after expense reductions		1,309,919
Net investment income		**7,483,399**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		(4,324,756)
Net unrealized appreciation (depreciation) during the period on investments		(5,787,082)
Net gain (loss) on investment transactions		**(10,111,838)**
Net increase (decrease) in net assets resulting from operations	**$**	**(2,628,439)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income	$ 7,483,399	$ 12,079,996
Net realized gain (loss) on investment transactions	(4,324,756)	(353,676)
Net unrealized appreciation (depreciation) during the period on investment transactions	(5,787,082)	(5,057,842)
Net increase (decrease) in net assets resulting from operations	(2,628,439)	6,668,478
Distributions to shareholders from:		
Net investment income:		
Class A	(9,250,155)	(7,365,945)
Class B	(2,794,336)	(2,666,763)
Net realized gains:		
Class A	(40,873)	(1,950,232)
Class B	(13,997)	(794,464)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	70,035,986	81,598,580
Reinvestment of distributions	9,291,028	9,316,177
Cost of shares redeemed	(40,322,732)	(45,087,748)
Net increase (decrease) in net assets from Class A share transactions	39,004,282	45,827,009
Class B		
Proceeds from shares sold	3,465,852	9,590,439
Reinvestment of distributions	2,808,333	3,461,227
Cost of shares redeemed	(8,669,742)	(10,890,122)
Net increase (decrease) in net assets from Class B share transactions	(2,395,557)	2,161,544
Increase (decrease) in net assets	21,880,925	41,879,627
Net assets at beginning of period	340,266,860	298,387,233
Net assets at end of period (including undistributed net investment income of $6,963,935 and $11,525,027, respectively)	**$ 362,147,785**	**$ 340,266,860**

Other Information		
Class A		
Shares outstanding at beginning of period	21,303,867	17,397,738
Shares sold	6,134,731	6,905,327
Shares issued to shareholders in reinvestment of distributions	821,488	808,696
Shares redeemed	(3,517,500)	(3,807,894)
Net increase (decrease) in Class A shares	3,438,719	3,906,129
Shares outstanding at end of period	**24,742,586**	**21,303,867**
Class B		
Shares outstanding at beginning of period	7,523,292	7,335,272
Shares sold	298,596	808,980
Shares issued to shareholders in reinvestment of distributions	248,086	300,193
Shares redeemed	(753,333)	(921,153)
Net increase (decrease) in Class B shares	(206,651)	188,020
Shares outstanding at end of period	**7,316,641**	**7,523,292**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001[b]
Selected Per Share Date						
Net asset value, beginning of period	**$11.81**	**$12.07**	**$12.16**	**$11.98**	**$11.48**	**$11.45**
Income (loss) from investment operations:						
Net investment income[c]	.25	.47	.50	.45	.53	.62
Net realized and unrealized gain (loss) on investment transactions	(.33)	(.21)	.05	.14	.37	.01
Total from investment operations	(.08)	.26	.55	.59	.90	.63
Less distributions from:						
Net investment income	(.43)	(.41)	(.43)	(.41)	(.40)	(.60)
Net realized gain on investment transactions	(.00)***	(.11)	(.21)	—	—	—
Total distributions	(.43)	(.52)	(.64)	(.41)	(.40)	(.60)
Net asset value, end of period	**$11.30**	**$11.81**	**$12.07**	**$12.16**	**$11.98**	**$11.48**
Total Return (%)	(.66)**	2.25	4.53	5.13	8.01	5.71
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	280	252	210	201	216	134
Ratio of expenses (%)	.67*	.67	.66	.66	.65	.64
Ratio of net investment income (%)	4.44*	3.96	4.18	3.75	4.57	5.46
Portfolio turnover rate (%)	228[d]*	164[d]	185[d]	229[d]	267	176

a *For the six months ended June 30, 2006 (Unaudited).*

b *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.*

c *Based on average shares outstanding during the period.*

d *The portfolio turnover rate including mortgage dollar roll transactions was 241%, 176%, 204% and 265% for the periods ended June 30, 2006, December 31, 2005, December 31, 2004, and December 31, 2003, respectively.*

* *Annualized*

** *Not annualized*

*** *Amount is less than $.005*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$11.78**	**$12.04**	**$12.13**	**$11.96**	**$11.36**
Income (loss) from investment operations:					
Net investment income[c]	.23	.42	.45	.40	.27
Net realized and unrealized gain (loss) on investment transactions	(.33)	(.21)	.05	.15	.33
Total from investment operations	(.10)	.21	.50	.55	.60
Less distributions from:					
Net investment income	(.38)	(.36)	(.38)	(.38)	—
Net realized gain on investment transactions	(.00)***	(.11)	(.21)	—	—
Total distributions	(.38)	(.47)	(.59)	(.38)	—
Net asset value, end of period	**$11.30**	**$11.78**	**$12.04**	**$12.13**	**$11.96**
Total Return (%)	(.84)**	1.85	4.10	4.76	5.28**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	83	89	88	45	2
Ratio of expenses (%)	1.05*	1.07	1.03	1.05	.92*
Ratio of net investment income (%)	4.06*	3.56	3.81	3.36	4.69*
Portfolio turnover rate (%)	228[d]*	164[d]	185[d]	229[d]	267

a *For the six months ended June 30, 2006 (Unaudited).*

b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *The portfolio turnover rate including mortgage dollar roll transactions was 241%, 176%, 204% and 265% for the periods ended June 30, 2006, December 31, 2005, December 31, 2004, and December 31, 2003, respectively.*

* *Annualized*

** *Not annualized*

*** *Amount is less than $.005*

Information About Your Portfolio's Expenses

DWS Davis Venture Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,030.70	$1,028.40
Expenses Paid per $1,000*	$ 4.28	$ 6.19
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.58	$1,018.70
Expenses Paid per $1,000*	$ 4.26	$ 6.16

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Davis Venture Value VIP	.85%	1.23%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Davis Venture Value VIP

For the six months ended June 30, 2006, Class A shares of DWS Davis Venture Value VIP gained 3.07% (unadjusted for contract charges), underperforming versus its benchmark, the Russell 1000 Value Index, which gained 6.56%.

Consumer staples companies were the most important contributors to the Portfolio's performance during the period. Costco Wholesale Corp. was among the top contributors to performance.

Energy companies and banks also made important contributions to performance. Two energy companies, Occidental Petroleum Corp. and ConocoPhillips, and a banking company, Golden West Financial Corp. (not held by the Portfolio at the end of the reporting period), were among the top contributors to performance.

Insurance companies — including American International Group, Inc. and Progressive Corp. — were among the top detractors from performance. Information technology companies and health care companies also detracted from performance, with Microsoft Corp., an information technology company, and HCA, Inc., a health care company, among the top detractors.

The Portfolio had approximately 10% of its assets invested in foreign companies at June 30, 2006.

Christopher C. Davis
Kenneth Charles Feinberg

Portfolio Managers
Davis Selected Advisers, L.P., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

The Portfolio is subject to stock market and equity risks, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

In this report Davis Selected Advisers makes candid statements and observations regarding economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. All investments involve some degree of risk, and there can be no assurance that the investment strategies will be successful. Market values will vary so that an investor may experience a gain or a loss.

Portfolio Summary

DWS Davis Venture Value VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Financials	39%	45%
Consumer Staples	16%	15%
Energy	12%	11%
Consumer Discretionary	11%	8%
Industrials	7%	8%
Information Technology	5%	4%
Materials	4%	4%
Health Care	4%	4%
Telecommunication Services	2%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 46. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Davis Venture Value VIP

	Shares	Value ($)
Common Stocks 99.2%		
Consumer Discretionary 11.4%		
Automobiles 1.7%		
Harley-Davidson, Inc. (a)	124,900	**6,855,761**
Diversified Consumer Services 1.6%		
Apollo Group, Inc. "A"*	29,600	1,529,432
H&R Block, Inc. (a)	199,100	4,750,526
		6,279,958
Household Durables 0.2%		
Hunter Douglas NV	12,663	**852,752**
Internet & Catalog Retail 0.6%		
Expedia, Inc.* (a)	27,599	413,157
IAC/InterActiveCorp.* (a)	27,499	728,449
Liberty Media Holding Corp. — Interactive "A"*	66,000	1,139,160
		2,280,766
Media 7.0%		
Comcast Corp. (Special) "A"* (a)	360,000	11,800,800
Gannett Co., Inc.	18,500	1,034,705
Lagardere S.C.A.	54,700	4,036,926
Liberty Media Holding Corp. — Capital "A"*	13,360	1,119,167
News Corp. "A"	331,500	6,358,170
NTL, Inc.	82,632	2,057,537
WPP Group PLC (ADR)	17,000	1,024,930
		27,432,235
Specialty Retail 0.3%		
Bed Bath & Beyond, Inc.*	31,400	**1,041,538**
Consumer Staples 15.4%		
Beverages 2.2%		
Diageo PLC (ADR)	71,200	4,809,560
Heineken Holding NV	98,200	3,621,127
		8,430,687
Food & Staples Retailing 6.5%		
Costco Wholesale Corp.	309,100	17,658,883
Wal-Mart Stores, Inc.	165,400	7,967,318
		25,626,201
Food Products 0.7%		
The Hershey Co. (a)	49,700	**2,736,979**
Household Products 1.1%		
Procter & Gamble Co.	76,400	**4,247,840**
Personal Products 0.4%		
Avon Products, Inc.	53,100	**1,646,100**
Tobacco 4.5%		
Altria Group, Inc.	241,200	**17,711,316**
Energy 12.0%		
Energy Equipment & Services 0.9%		
Transocean, Inc.*	45,400	**3,646,528**
Oil, Gas & Consumable Fuels 11.1%		
ConocoPhillips	250,120	16,390,364
Devon Energy Corp.	141,900	8,572,179
EOG Resources, Inc.	121,100	8,397,074
Occidental Petroleum Corp.	96,700	9,916,585
		43,276,202

	Shares	Value ($)
Financials 38.9%		
Capital Markets 1.9%		
Ameriprise Financial, Inc.	95,120	4,249,011
Morgan Stanley	39,700	2,509,437
State Street Corp.	12,600	731,934
		7,490,382
Commercial Banks 7.0%		
Commerce Bancorp, Inc. (a)	61,700	2,200,839
HSBC Holdings PLC	677,337	11,917,846
Lloyds TSB Group PLC (ADR) (a)	73,100	2,885,257
Wells Fargo & Co.	157,400	10,558,392
		27,562,334
Consumer Finance 4.5%		
American Express Co.	335,500	**17,855,310**
Diversified Financial Services 7.5%		
Citigroup, Inc.	179,100	8,639,784
JPMorgan Chase & Co.	381,884	16,039,128
Moody's Corp.	84,400	4,596,424
		29,275,336
Insurance 14.5%		
American International Group, Inc.	264,100	15,595,105
Aon Corp. (a)	79,000	2,750,780
Berkshire Hathaway, Inc. "B"*	4,264	12,975,352
Chubb Corp.	22,300	1,112,770
Loews Corp.	224,200	7,947,890
Markel Corp.* (a)	900	312,300
Principal Financial Group, Inc. (a)	25,200	1,402,380
Progressive Corp.	389,700	10,019,187
Sun Life Financial, Inc.	15,700	626,901
Transatlantic Holdings, Inc. (a)	71,937	4,021,278
		56,763,943
Thrifts & Mortgage Finance 3.5%		
Golden West Financial Corp.	183,900	**13,645,380**
Health Care 3.8%		
Health Care Providers & Services		
Cardinal Health, Inc.	60,900	3,917,697
Caremark Rx, Inc.*	100,200	4,996,974
HCA, Inc.	141,900	6,122,985
		15,037,656
Industrials 6.9%		
Air Freight & Logistics 0.6%		
United Parcel Service, Inc. "B"	28,000	**2,305,240**
Commercial Services & Supplies 1.7%		
China Merchants Holdings International Co., Ltd.	724,375	2,205,873
Cosco Pacific Ltd.	562,600	1,245,988
D&B Corp.*	49,900	3,477,032
		6,928,893
Industrial Conglomerates 4.2%		
Tyco International Ltd.	594,862	**16,358,705**
Road & Rail 0.4%		
Kuehne & Nagel International AG (Registered)	20,820	**1,515,668**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Information Technology 4.8%		
Communications Equipment 0.2%		
Nokia Oyj (ADR)	50,400	**1,021,104**
Computers & Peripherals 1.3%		
Dell, Inc.*	111,300	2,716,833
Hewlett-Packard Co.	70,800	2,242,944
		4,959,777
IT Services 1.3%		
Iron Mountain, Inc.* (a)	136,700	**5,109,846**
Software 2.0%		
Microsoft Corp.	335,900	**7,826,470**
Materials 4.1%		
Construction Materials 1.6%		
Martin Marietta Materials, Inc. (a)	36,100	3,290,515
Vulcan Materials Co. (a)	35,500	2,769,000
		6,059,515
Containers & Packaging 2.0%		
Sealed Air Corp. (a)	150,600	**7,843,248**
Metals & Mining 0.5%		
BHP Billiton PLC	52,600	1,020,341
Rio Tinto PLC	18,700	988,644
		2,008,985
Telecommunication Services 1.9%		
Wireless Telecommunication Services		
SK Telecom Co., Ltd. (ADR)	89,200	2,089,064
Sprint Nextel Corp.	261,800	5,233,381
		7,322,445
Total Common Stocks (Cost $286,626,732)		**388,955,100**

Securities Lending Collateral 8.0%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $31,221,810)	31,221,810	**31,221,810**

Cash Equivalents 0.6%

	Shares	Value ($)
Cash Management QP Trust, 5.07% (d) (Cost $2,428,495)	2,428,495	**2,428,495**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $320,277,037)†	107.8	**422,605,405**
Other Assets and Liabilities, Net	(7.8)	**(30,676,009)**
Net Assets	100.0	**391,929,396**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $320,823,401. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $101,782,004. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $106,159,633 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,377,629.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $30,643,026 which is 7.8% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $286,626,732) — including $30,643,026 of securities loaned	$	388,955,100
Investment in Daily Assets Fund Institutional (cost $31,221,810)*		31,221,810
Investment in Cash Management QP Trust (cost $2,428,495)		2,428,495
Total investments in securities, at value (cost $320,277,037)		422,605,405
Foreign currency, at value (cost $149,783)		152,574
Receivable for investments sold		718,031
Dividends receivable		531,076
Interest receivable		10,197
Foreign taxes recoverable		11,639
Receivable for Portfolio shares sold		324,061
Other assets		4,094
Total assets		424,357,077
Liabilities		
Payable for Portfolio shares redeemed		360,239
Payable upon return of securities loaned		31,221,810
Payable for investments purchased		503,792
Accrued management fee		241,430
Other accrued expenses and payables		100,410
Total liabilities		32,427,681
Net assets, at value	**$**	**391,929,396**
Net Assets		
Net assets consist of:		
Undistributed net investment income		1,431,958
Net unrealized appreciation (depreciation) on:		
Investments		102,328,368
Foreign currency related transactions		3,124
Accumulated net realized gain (loss)		(3,109,333)
Paid-in capital		291,275,279
Net assets, at value	**$**	**391,929,396**
Class A		
Net Asset Value, offering and redemption price per share ($314,529,437 ÷ 24,595,126 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.79**
Class B		
Net Asset Value, offering and redemption price per share ($77,399,959 ÷ 6,052,561 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.79**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $28,336)	$	3,191,590
Interest — Cash Management QP Trust		95,458
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		12,432
Total Income		3,299,480
Expenses:		
Management fee		1,847,984
Custodian and accounting fees		59,042
Distribution service fees (Class B)		98,170
Record keeping fees (Class B)		50,523
Auditing		23,672
Legal		9,511
Trustees' fees and expenses		13,392
Reports to shareholders		32,180
Other		16,108
Total expenses before expense reductions		2,150,582
Expense reductions		(325,755)
Total expenses after expense reductions		1,824,827
Net investment income (loss)		**1,474,653**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		3,352,302
Foreign currency related transactions		(19,549)
		3,332,753
Net unrealized appreciation (depreciation) during the period on:		
Investments		6,797,996
Foreign currency related transactions		14,668
		6,812,664
Net gain (loss) on investment transactions		**10,145,417**
Net increase (decrease) in net assets resulting from operations	**$**	**11,620,070**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 1,474,653	$ 2,485,779
Net realized gain (loss) on investment transactions	3,332,753	1,821,140
Net unrealized appreciation (depreciation) during the period on investment transactions	6,812,664	29,208,587
Net increase (decrease) in net assets resulting from operations	11,620,070	33,515,506
Distributions to shareholders from:		
Net investment income:		
Class A	(2,082,948)	(2,091,774)
Class B	(214,549)	(260,311)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	13,362,451	36,365,583
Reinvestment of distributions	2,082,948	2,091,774
Cost of shares redeemed	(17,589,722)	(22,500,564)
Net increase (decrease) in net assets from Class A share transactions	(2,144,323)	15,956,793
Class B		
Proceeds from shares sold	5,141,179	11,711,444
Reinvestment of distributions	214,549	260,311
Cost of shares redeemed	(8,047,326)	(6,187,073)
Net increase (decrease) in net assets from Class B share transactions	(2,691,598)	5,784,682
Increase (decrease) in net assets	4,486,652	52,904,896
Net assets at beginning of period	387,442,744	334,537,848
Net assets at end of period (including undistributed net investment income of $1,431,958 and $2,254,802, respectively)	**$ 391,929,396**	**$ 387,442,744**

Other Information		
Class A		
Shares outstanding at beginning of period	24,763,248	23,386,408
Shares sold	1,050,738	3,107,848
Shares issued to shareholders in reinvestment of distributions	163,497	184,135
Shares redeemed	(1,382,357)	(1,915,143)
Net increase (decrease) in Class A shares	(168,122)	1,376,840
Shares outstanding at end of period	**24,595,126**	**24,763,248**
Class B		
Shares outstanding at beginning of period	6,263,092	5,765,180
Shares sold	404,159	1,002,803
Shares issued to shareholders in reinvestment of distributions	16,827	22,895
Shares redeemed	(631,517)	(527,786)
Net increase (decrease) in Class B shares	(210,531)	497,912
Shares outstanding at end of period	**6,052,561**	**6,263,092**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001[b]
Selected Per Share Data						
Net asset value, beginning of period	**$12.49**	**$11.48**	**$10.31**	**$ 7.99**	**$ 9.50**	**$10.00**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.06	.09	.08	.06	.05	.03
Net realized and unrealized gain (loss) on investment transactions	.32	1.01	1.14	2.31	(1.55)	(.53)
Total from investment operations	.38	1.10	1.22	2.37	(1.50)	(.50)
Less distributions from:						
Net investment income	(.08)	(.09)	(.05)	(.05)	(.01)	—
Net asset value, end of period	**$12.79**	**$12.49**	**$11.48**	**$10.31**	**$ 7.99**	**$ 9.50**
Total Return (%)	3.07**	9.64	11.83	29.84	(15.79)	(5.00)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	315	309	268	220	160	109
Ratio of expenses before expense reductions (%)	1.02*	1.02	1.05	1.01	1.02	1.09*
Ratio of expenses after expense reductions (%)	.85*	.96	1.05	1.01	1.02	1.09*
Ratio of net investment income (%)	.83*	.78	.74	.62	.62	.48*
Portfolio turnover rate (%)	20*	8	3	7	22	15*

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$12.47**	**$11.46**	**$10.29**	**$ 7.98**	**$ 8.52**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.03	.04	.04	.02	.04
Net realized and unrealized gain (loss) on investment transactions	.32	1.01	1.13	2.32	(.58)
Total from investment operations	.35	1.05	1.17	2.34	(.54)
Less distributions from:					
Net investment income	(.03)	(.04)	.00***	(.03)	—
Net asset value, end of period	**$12.79**	**$12.47**	**$11.46**	**$10.29**	**$ 7.98**
Total Return (%)	2.84**	9.23	11.42	29.42	(6.34)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	77	78	66	29	.8
Ratio of expenses before expense reductions (%)	1.40*	1.41	1.44	1.40	1.27*
Ratio of expenses after expense reductions (%)	1.23*	1.34	1.44	1.40	1.27*
Ratio of net investment income (%)	.45*	.40	.36	.23	1.06*
Portfolio turnover rate (%)	20*	8	3	7	22

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*
*** *Amount is less than $.005.*

Information About Your Portfolio's Expenses

DWS Dreman Financial Services VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,035.20	$1,033.50
Expenses Paid per $1,000*	$ 4.69	$ 6.71

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.18	$1,018.20
Expenses Paid per $1,000*	$ 4.66	$ 6.66

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Dreman Financial Services VIP	.93%	1.33%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Dreman Financial Services VIP

The broad equity market, as measured by the S&P 500 Index, had a return of 2.71% for the six-month period ended June 30, 2006. Value stocks, as measured by the Russell 1000 Value Index, performed much better than growth stocks, as measured by the Russell 1000 Growth Index, which had a negative return for the six-month period. With a return of 3.52% (Class A shares, unadjusted for contract charges), the Portfolio outperformed its benchmark the S&P 500 Index for the first half of 2006.

While stocks of financial services companies make up the majority of the Portfolio, we have the flexibility to invest up to 20% of assets in other industries. Over the last six months, our position in the energy group contributed significantly to performance. Energy holdings that performed especially well include ConocoPhillips, Valero Energy Corp. and Occidental Petroleum Corp.

Another major positive was Washington Mutual, Inc., a leading retailer of financial services for consumers and small businesses. This company has built a tremendous branch system across the US through a number of acquisitions. A high yield adds to the stock's attractiveness. Other financial services holdings that performed well were Bear Stearns Companies, Inc. and Morgan Stanley, which benefited from strong corporate earnings and cash flows that created a positive environment for their investment banking businesses.

Three large holdings, Freddie Mac, Fannie Mae and American International Group, Inc. (AIG), have performed poorly for quite some time because of accounting irregularities that required earnings restatements. We feel that the market's negative reaction to the issues facing these companies has been excessive and we continue to hold significant positions in the stocks. Although we continue to hold AIG, we have the stock under review and may consider selling if the stock price rises.

David N. Dreman	F. James Hutchinson
Lead Manager	*Portfolio Manager*

Dreman Value Management, L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Additionally, this Portfolio is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values.

The Russell 1000 Growth Index is an unmanaged index composed of common stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Dreman Financial Services VIP

Asset Allocation (Excludes Securities Lending Collateral and Cash Equivalents)	**6/30/06**	**12/31/05**
Common Stocks	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Energy	11%	9%
Consumer Staples	3%	3%
Financials:		
Commercial Banks	22%	29%
Thrifts & Mortgage Finance	21%	22%
Diversified Financial Services	16%	9%
Capital Markets	14%	13%
Insurance	10%	12%
Consumer Finance	2%	2%
Real Estate Investment Trust	1%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 54. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Dreman Financial Services VIP

	Shares	Value ($)
Common Stocks 99.7%		
Consumer Staples 3.3%		
Tobacco		
Altria Group, Inc.	56,800	**4,170,824**
Energy 11.2%		
Oil, Gas & Consumable Fuels		
Anadarko Petroleum Corp.	14,200	677,198
Apache Corp.	9,100	621,075
ConocoPhillips	85,964	5,633,221
Devon Energy Corp.	10,600	640,346
EnCana Corp.	25,700	1,352,848
Occidental Petroleum Corp.	16,300	1,671,565
Tesoro Corp.	22,300	1,658,228
Valero Energy Corp.	32,700	2,175,204
		14,429,685
Financials 85.2%		
Capital Markets 13.6%		
Ameriprise Financial, Inc.	13,190	589,197
Bear Stearns Companies, Inc.	16,040	2,246,883
Franklin Resources, Inc.	16,110	1,398,509
Lehman Brothers Holdings, Inc.	32,000	2,084,800
Mellon Financial Corp.	85,400	2,940,322
Morgan Stanley	87,780	5,548,574
The Goldman Sachs Group, Inc.	18,000	2,707,740
		17,516,025
Commercial Banks 22.0%		
Fifth Third Bancorp.	39,100	1,444,745
KeyCorp.	123,855	4,419,146
Marshall & Ilsley Corp.	39,300	1,797,582
Mercantile Bankshares Corp.	16,200	577,854
National Bank of Canada	79,850	4,077,264
National City Corp.	60,731	2,197,855
PNC Financial Services Group, Inc.	41,940	2,942,930
Regions Financial Corp.	52,372	1,734,561
US Bancorp.	124,920	3,857,530
Wachovia Corp.	56,440	3,052,275
Wells Fargo & Co.	32,610	2,187,479
		28,289,221
Consumer Finance 2.3%		
American Express Co.	56,550	**3,009,591**
Diversified Financial Services 15.6%		
Bank of America Corp.	181,820	8,745,542
CIT Group, Inc.	44,790	2,342,069
Citigroup, Inc.	90,000	4,341,600
JPMorgan Chase & Co.	108,924	4,574,808
		20,004,019
Insurance 10.4%		
Allstate Corp.	26,495	1,450,071
American International Group, Inc.	153,873	9,086,201
Chubb Corp.	34,760	1,734,524
Prudential Financial, Inc.	13,790	1,071,483
		13,342,279
Real Estate Investment Trusts 0.9%		
NovaStar Financial, Inc. (REIT) (a)	35,200	**1,112,672**
Thrifts & Mortgage Finance 20.4%		
Fannie Mae	151,180	7,271,758
Freddie Mac	116,705	6,653,352
Hudson City Bancorp., Inc.	31,900	425,227
Sovereign Bancorp, Inc.	84,339	1,712,920
The PMI Group, Inc.	34,900	1,555,842
Washington Mutual, Inc. (a)	186,832	8,515,803
		26,134,902
Total Common Stocks (Cost $96,304,331)		**128,009,218**
Securities Lending Collateral 4.9%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $6,292,175)	6,292,175	**6,292,175**
Cash Equivalents 0.0%		
Cash Management QP Trust, 5.07% (d) (Cost $4,013)	4,013	**4,013**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $102,600,519)†	104.6	**134,305,406**
Other Assets and Liabilities, Net	(4.6)	**(5,895,539)**
Net Assets	100.0	**128,409,867**

† *The cost for federal income tax purposes was $103,731,756. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $30,573,650. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $34,594,196 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,020,546.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $6,163,854 which is 4.8% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $96,304,331) — including $6,163,854 of securities loaned	$	128,009,218
Investment in Daily Assets Fund Institutional (cost $6,292,175)*		6,292,175
Investment in Cash Management QP Trust (cost $4,013)		4,013
Total investments in securities, at value (cost $102,600,519)		134,305,406
Cash		11,361
Receivable for investments sold		332,226
Dividends receivable		160,352
Interest receivable		13,083
Receivable for Fund shares sold		24,822
Other assets		2,364
Total assets		134,849,614
Liabilities		
Payable for Portfolio shares redeemed		5,509
Payable upon return of securities loaned		6,292,175
Accrued management fee		75,712
Other accrued expenses and payables		66,351
Total liabilities		6,439,747
Net assets, at value	**$**	**128,409,867**
Net Assets		
Net assets consist of:		
Undistributed net investment income		1,111,537
Net unrealized appreciation (depreciation) on:		
Investments		31,704,887
Foreign currency related transactions		3
Accumulated net realized gain (loss)		806,922
Paid-in capital		94,786,518
Net assets, at value	**$**	**128,409,867**
Class A		
Net Asset Value, offering and redemption price per share ($111,093,468 ÷ 8,328,424 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.34**
Class B		
Net Asset Value, offering and redemption price per share ($17,316,399 ÷ 1,298,480 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.34**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $10,954)	$	1,797,550
Interest — Cash Management QP Trust		2,741
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		74,824
Total Income		1,875,115
Expenses:		
Management fee		505,826
Custodian and accounting fees		47,897
Distribution service fees (Class B)		22,334
Record keeping fees (Class B)		13,209
Auditing		22,263
Legal		7,438
Trustees' fees and expenses		9,638
Reports to shareholders		24,972
Other		9,767
Total expenses before expense reductions		663,344
Expense reductions		(1,672)
Total expenses after expense reductions		661,672
Net investment income (loss)		**1,213,443**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		2,097,834
Foreign currency related transactions		1,839
		2,099,673
Net unrealized appreciation (depreciation) during the period on:		
Investments		1,588,148
Foreign currency related transactions		(68)
		1,588,080
Net gain (loss) on investment transactions		**3,687,753**
Net increase (decrease) in net assets resulting from operations	**$**	**4,901,196**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 1,213,443	$ 2,946,322
Net realized gain (loss) on investment transactions	2,099,673	6,472,632
Net unrealized appreciation (depreciation) during the period on investment transactions	1,588,080	(10,651,013)
Net increase (decrease) in net assets resulting from operations	4,901,196	(1,232,059)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,651,564)	(2,459,642)
Class B	(335,240)	(250,229)
Net realized gains:		
Class A	(1,283,015)	—
Class B	(196,199)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	907,754	4,078,683
Reinvestment of distributions	3,934,579	2,459,642
Cost of shares redeemed	(14,142,587)	(27,606,524)
Net increase (decrease) in net assets from Class A share transactions	(9,300,254)	(21,068,199)
Class B		
Proceeds from shares sold	761,585	2,781,906
Reinvestment of distributions	531,439	250,229
Cost of shares redeemed	(1,835,609)	(2,350,850)
Net increase (decrease) in net assets from Class B share transactions	(542,585)	681,285
Increase (decrease) in net assets	(9,407,661)	(24,328,844)
Net assets at beginning of period	137,817,528	162,146,372
Net assets at end of period (including undistributed net investment income of $1,111,537 and $2,884,898, respectively)	**$ 128,409,867**	**$ 137,817,528**

Other Information		
Class A		
Shares outstanding at beginning of period	9,007,093	10,645,952
Shares sold	66,391	319,846
Shares issued to shareholders in reinvestment of distributions	294,504	200,133
Shares redeemed	(1,039,564)	(2,158,838)
Net increase (decrease) in Class A shares	(678,669)	(1,638,859)
Shares outstanding at end of period	**8,328,424**	**9,007,093**
Class B		
Shares outstanding at beginning of period	1,337,909	1,281,273
Shares sold	55,970	220,209
Shares issued to shareholders in reinvestment of distributions	39,749	20,344
Shares redeemed	(135,148)	(183,917)
Net increase (decrease) in Class B shares	(39,429)	56,636
Shares outstanding at end of period	**1,298,480**	**1,337,909**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$13.33**	**$13.60**	**$12.33**	**$ 9.79**	**$10.78**	**$11.53**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.13	.27	.23	.20	.15	.14
Net realized and unrealized gain (loss) on investment transactions	.34	(.30)	1.23	2.50	(1.06)	(.71)
Total from investment operations	.47	(.03)	1.46	2.70	(.91)	(.57)
Less distributions from:						
Net investment income	(.31)	(.24)	(.20)	(.16)	(.08)	(.13)
Net realized gain on investment transactions	(.15)	—	—	—	—	(.05)
Total distributions	(.46)	(.24)	(.20)	(.16)	(.08)	(.18)
Net asset value, end of period	**$13.34**	**$13.33**	**$13.60**	**$12.33**	**$ 9.79**	**$10.78**
Total Return (%)	3.52**	(.07)	12.00	28.13	(8.51)	(4.86)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	111	120	145	143	120	117
Ratio of expenses	.93*	.89	.84	.86	.83	.86
Ratio of net investment income (%)	1.85*	2.10	1.79	1.84	1.44	1.31
Portfolio turnover rate (%)	1*	27	8	7	13	22

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$13.30**	**$13.57**	**$12.31**	**$ 9.78**	**$10.57**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.10	.21	.18	.14	.06
Net realized and unrealized gain (loss) on investment transactions	.35	(.29)	1.22	2.53	(.85)
Total from investment operations	.45	(.08)	1.40	2.67	(.79)
Less distributions from:					
Net investment income	(.26)	(.19)	(.14)	(.14)	—
Net realized gain on investment transactions	(.15)	—	—	—	—
Total distributions	(.41)	(.19)	(.14)	(.14)	—
Net asset value, end of period	**$13.34**	**$13.30**	**$13.57**	**$12.31**	**$ 9.78**
Total Return (%)	3.35**	(.46)	11.50	27.73	(7.47)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	17	18	17	9	.4
Ratio of expenses (%)	1.33*	1.29	1.22	1.25	1.08*
Ratio of net investment income (%)	1.45*	1.70	1.41	1.45	1.33*
Portfolio turnover rate (%)	1*	27	8	7	13

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Dreman High Return Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,041.90	$1,039.30
Expenses Paid per $1,000*	$ 3.90	$ 5.87
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.98	$1,019.04
Expenses Paid per $1,000*	$ 3.86	$ 5.81

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Dreman High Return Equity VIP	.77%	1.16%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Dreman High Return Equity VIP

The broad equity market, as measured by the S&P 500 Index, had a return of 2.71% for the six-month period ended June 30, 2006. Value stocks, as measured by the Russell 1000 Value Index, outperformed growth stocks, measured by the Russell 1000 Growth Index, which had a negative return for the six-month period. With a return of 4.19% (Class A shares, unadjusted for contract charges), the Portfolio outperformed its benchmark, the S&P 500 Index for the six-month period ended June 30, 2006.

Absolute performance benefited from a significant overweight in energy, where major holdings that performed especially well were ConocoPhillips, Occidental Petroleum Corp. and El Paso Corp. We remain comfortable with the overweight in energy, as we believe that expanding economies around the world will continue to create a high level of demand for new energy resources. The most significant factors in the Portfolio's strong performance relative to the S&P 500 Index were an underweight in information technology, which was the worst-performing of the 10 sectors in the S&P 500, and stock selection in health care, where positions in Laboratory Corp. of America Holdings and Quest Diagnostics, Inc. performed quite well.

Performance was hurt by an overweight in financials. Three large holdings, Freddie Mac, Fannie Mae and American International Group, Inc. (AIG), performed poorly because of accounting irregularities that required earnings restatements. We consider the market's negative reaction to the issues facing these companies to be excessive, and we have maintained these positions.

At mid-year 2006, interest rates and the fear of inflation were key drivers of the stock market. Nonetheless, we believe that there is reason to expect that stocks will perform well in the months ahead. Price-to-earnings ratios are much lower than they were several years ago, and profit margins are holding up well. The economy continues to expand, benefiting from strength in both business investment and consumer spending. We believe the Portfolio is well positioned, and we have confidence in our time-tested contrarian investing philosophy of seeking companies that are financially sound and that have solid growth prospects but have fallen out of favor with the investing public.

David N. Dreman
F. James Hutchinson

Co-Managers
Dreman Value Management L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Dreman High Return Equity VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	100%	94%
Cash Equivalents	—	6%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Financials	28%	29%
Energy	22%	21%
Consumer Staples	18%	19%
Health Care	17%	17%
Industrials	7%	5%
Consumer Discretionary	5%	6%
Information Technology	2%	3%
Utilities	1%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 61. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Dreman High Return Equity VIP

	Shares	Value ($)
Common Stocks 99.7%		
Consumer Discretionary 5.3%		
Multiline Retail 1.0%		
Federated Department Stores, Inc.	259,010	**9,479,766**
Specialty Retail 4.3%		
Borders Group, Inc.	712,900	13,160,134
Home Depot, Inc.	388,455	13,902,804
Staples, Inc.	501,247	12,190,327
		39,253,265
Consumer Staples 17.6%		
Food & Staples Retailing 0.7%		
Safeway, Inc.	232,650	**6,048,900**
Tobacco 16.9%		
Altria Group, Inc.	1,121,820	82,375,243
Imperial Tobacco Group PLC (ADR)	95,145	5,874,252
Reynolds American, Inc. (a)	169,173	19,505,647
Universal Corp.	266,570	9,921,735
UST, Inc.	816,640	36,903,962
		154,580,839
Energy 21.6%		
Oil, Gas & Consumable Fuels		
Anadarko Petroleum Corp.	231,900	11,059,311
Apache Corp.	285,400	19,478,550
Chevron Corp.	531,760	33,001,025
ConocoPhillips	1,112,994	72,934,497
Devon Energy Corp.	514,600	31,086,986
El Paso Corp.	408,510	6,127,650
EnCana Corp. (a)	130,600	6,874,784
Kerr-McGee Corp.	5,856	406,114
Occidental Petroleum Corp.	153,000	15,690,150
		196,659,067
Financials 27.5%		
Commercial Banks 4.9%		
KeyCorp.	294,000	10,489,920
PNC Financial Services Group, Inc.	169,300	11,879,781
US Bancorp.	265,700	8,204,816
Wachovia Corp.	253,700	13,720,096
		44,294,613
Diversified Financial Services 4.4%		
Bank of America Corp.	521,636	25,090,692
CIT Group, Inc.	65,000	3,398,850
Citigroup, Inc.	134,600	6,493,104
JPMorgan Chase & Co.	132,864	5,580,288
		40,562,934
Insurance 2.5%		
American International Group, Inc.	331,300	19,563,265
The St. Paul Travelers Companies, Inc.	70,605	3,147,571
		22,710,836
Thrifts & Mortgage Finance 15.7%		
Fannie Mae	894,873	43,043,391
Freddie Mac	853,641	48,666,073
Sovereign Bancorp, Inc.	609,630	12,381,585
Washington Mutual, Inc.	854,175	38,933,297
		143,024,346
Health Care 17.5%		
Health Care Equipment & Supplies 0.4%		
Becton, Dickinson & Co.	54,455	**3,328,834**
Health Care Providers & Services 9.0%		
Aetna, Inc.	245,100	9,786,843
HCA, Inc.	296,200	12,781,030
Laboratory Corp. of America Holdings*	343,075	21,349,557
Quest Diagnostics, Inc.	291,100	17,442,712
UnitedHealth Group, Inc.	456,000	20,419,680
		81,779,822
Life Sciences Tools & Services 0.8%		
Fisher Scientific International, Inc.*	102,100	**7,458,405**
Pharmaceuticals 7.3%		
Bristol-Myers Squibb Co.	365,160	9,443,038
Johnson & Johnson	46,000	2,756,320
Merck & Co., Inc.	525,195	19,132,854
Pfizer, Inc.	987,530	23,177,329
Wyeth	270,275	12,002,913
		66,512,454
Industrials 7.1%		
Air Freight & Logistics 0.6%		
FedEx Corp.	45,000	**5,258,700**
Industrial Conglomerates 5.3%		
3M Co.	255,300	20,620,581
General Electric Co.	332,950	10,974,032
Tyco International Ltd.	602,305	16,563,388
		48,158,001
Machinery 1.2%		
PACCAR, Inc.	138,700	**11,426,106**
Information Technology 2.0%		
IT Services 1.6%		
Electronic Data Systems Corp.	596,540	**14,352,753**
Software 0.4%		
Microsoft Corp.	174,600	**4,068,180**
Materials 0.0%		
Chemicals		
Tronox, Inc. "B"	590	**7,770**
Utilities 1.1%		
Independent Power Producers & Energy Traders		
TXU Corp.	168,500	**10,074,615**
Total Common Stocks (Cost $698,433,024)		**909,040,206**
Securities Lending Collateral 0.7%		
Daily Assets Institutional Fund, 5.1% (b) (c) (Cost $6,473,000)	6,473,000	**6,473,000**

The accompanying notes are an integral part of the financial statements.

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $704,906,024)†	100.4	**915,513,206**
Other Assets and Liabilities, Net	(0.4)	**(3,873,192)**
Net Assets	100.0	**911,640,014**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $706,135,265. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $209,377,941. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $244,910,335 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $35,532,394.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $6,304,520 which is 0.7% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $698,433,024) — including $6,304,520 of securities loaned	$ 909,040,206
Investment in Daily Assets Fund Institutional (cost $6,473,000)*	6,473,000
Total investments in securities, at value (cost $704,906,024)	915,513,206
Cash	29,455
Dividends receivable	1,818,568
Interest receivable	24,030
Receivable for investments sold	5,199,755
Receivable for Portfolio shares sold	188,541
Other assets	16,714
Total assets	922,790,269
Liabilities	
Payable for Portfolio shares redeemed	438,691
Payable upon return of securities loaned	6,473,000
Note payable	2,500,000
Payable for investments purchased	1,039,145
Accrued management fee	513,001
Other accrued expenses and payables	186,418
Total liabilities	11,150,255
Net assets, at value	**$ 911,640,014**
Net Assets	
Net assets consist of:	
Undistributed net investment income	8,117,168
Net unrealized appreciation (depreciation) on investments	210,607,182
Accumulated net realized gain (loss)	3,677,905
Paid-in capital	689,237,759
Net assets, at value	**$ 911,640,014**
Class A	
Net Asset Value, offering and redemption price per share ($776,824,274 ÷ 56,618,511 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.72**
Class B	
Net Asset Value, offering and redemption price per share ($134,815,740 ÷ 9,822,928 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.72**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $2,401)	$ 11,918,440
Interest — Cash Management QP Trust	720,928
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	4,070
Total Income	12,643,438
Expenses:	
Management fee	3,355,424
Custodian and accounting fees	80,599
Distribution service fees (Class B)	170,662
Record keeping fees (Class B)	92,686
Auditing	24,373
Legal	19,642
Trustees' fees and expenses	19,859
Reports to shareholders	57,260
Interest expense	1,876
Other	19,141
Total expenses before expense reductions	3,841,522
Expense reductions	(7,456)
Total expenses after expense reductions	3,834,066
Net investment income (loss)	**8,809,372**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	10,525,407
Futures	511,678
	11,037,085
Net unrealized appreciation (depreciation) during the period on:	
Investments	17,448,113
Futures	495,314
	17,943,427
Net gain (loss) on investment transactions	**28,980,512**
Net increase (decrease) in net assets resulting from operations	**$ 37,789,884**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 8,809,372	$ 15,850,183
Net realized gain (loss) on investment transactions	11,037,085	13,990,869
Net unrealized appreciation (depreciation) during the period on investment transactions	17,943,427	37,872,457
Net increase (decrease) in net assets resulting from operations	37,789,884	67,713,509
Distributions to shareholders from:		
Net investment income:		
Class A	(14,194,152)	(13,347,076)
Class B	(1,938,310)	(1,660,448)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	15,797,222	39,914,209
Reinvestment of distributions	14,194,152	13,347,076
Cost of shares redeemed	(56,704,993)	(60,039,081)
Net increase (decrease) in net assets from Class A share transactions	(26,713,619)	(6,777,796)
Class B		
Proceeds from shares sold	4,393,188	18,573,514
Reinvestment of distributions	1,938,310	1,660,448
Cost of shares redeemed	(10,252,781)	(9,785,758)
Net increase (decrease) in net assets from Class B share transactions	(3,921,283)	10,448,204
Increase (decrease) in net assets	(8,977,480)	56,376,393
Net assets at beginning of period	920,617,494	864,241,101
Net assets at end of period (including undistributed net investment income of $8,117,168 and $15,440,258, respectively)	**$ 911,640,014**	**$ 920,617,494**

Other Information		
Class A		
Shares outstanding at beginning of period	58,564,793	59,052,129
Shares sold	1,148,741	3,118,474
Shares issued to shareholders in reinvestment of distributions	1,048,313	1,067,766
Shares redeemed	(4,143,336)	(4,673,576)
Net increase (decrease) in Class A shares	(1,946,282)	(487,336)
Shares outstanding at end of period	**56,618,511**	**58,564,793**
Class B		
Shares outstanding at beginning of period	10,109,241	9,286,484
Shares sold	320,124	1,454,485
Shares issued to shareholders in reinvestment of distributions	142,943	132,624
Shares redeemed	(749,380)	(764,352)
Net increase (decrease) in Class B shares	(286,313)	822,757
Shares outstanding at end of period	**9,822,928**	**10,109,241**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$13.41**	**$12.65**	**$11.29**	**$ 8.76**	**$10.81**	**$10.77**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.14	.24	.23	.20	.21	.19
Net realized and unrealized gain (loss) on investment transactions	.42	.75	1.32	2.53	(2.13)	(.01)
Total from investment operations	.56	.99	1.55	2.73	(1.92)	.18
Less distributions from:						
Net investment income	(.25)	(.23)	(.19)	(.20)	(.09)	(.14)
Net realized gain on investment transactions	—	—	—	—	(.04)	—
Total distributions	(.25)	(.23)	(.19)	(.20)	(.13)	(.14)
Net asset value, end of period	**$13.72**	**$13.41**	**$12.65**	**$11.29**	**$ 8.76**	**$10.81**
Total Return (%)	4.19**	7.92	13.95	32.04	(18.03)	1.69
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	777	785	747	672	510	443
Ratio of expenses (%)	.77*	.78	.78	.79	.79	.82
Ratio of net investment income (%)	1.97*	1.84	1.96	2.14	2.21	1.78
Portfolio turnover rate (%)	19*	10	9	18	17	16

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$13.39**	**$12.63**	**$11.27**	**$ 8.75**	**$ 9.57**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.11	.19	.18	.16	.18
Net realized and unrealized gain (loss) on investment transactions	.41	.75	1.33	2.53	(1.00)
Total from investment operations	.52	.94	1.51	2.69	(.82)
Less distributions from:					
Net investment income	(.19)	(.18)	(.15)	(.17)	—
Net asset value, end of period	**$13.72**	**$13.39**	**$12.63**	**$11.27**	**$ 8.75**
Total Return (%)	3.93**	7.51	13.53	31.60	(8.57)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	135	135	117	66	2
Ratio of expenses (%)	1.16*	1.17	1.16	1.18	1.05*
Ratio of net investment income (%)	1.58*	1.45	1.58	1.75	4.30*
Portfolio turnover rate (%)	19*	10	9	18	17

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Dreman Small Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,130.10	$1,128.30
Expenses Paid per $1,000*	$ 4.23	$ 6.23
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.83	$1,018.94
Expenses Paid per $1,000*	$ 4.01	$ 5.91

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Dreman Small Cap Value VIP	.80%	1.18%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Dreman Small Cap Value VIP

The broad equity market, as measured by the S&P 500 Index, had a return of 2.71% for the six-month period ended June 30, 2006. Small-cap stocks performed significantly better than large-cap issues: The Russell 2000 Index, which measures the return of small-cap stocks, had a return of 8.21%, compared with 2.76% for the Russell 1000 Index, which tracks large-cap stocks. Value stocks outperformed growth stocks: The Russell 2000 Value Index had a return of 10.44%, while return of the Russell 2000 Growth Index was 6.07%. The market environment was therefore favorable for this Portfolio, which invests in small-cap value stocks. The Portfolio's return as of June 30, 2006 was 13.01% (Class A shares, unadjusted for contract charges), significantly higher than its benchmark, the Russell 2000 Value Index.

Our overweight in industrials was a major source of the Portfolio's strong performance. One of the best-performing stocks was General Cable Corp., which makes high and low voltage electrical cable and also data cable; we believe this company stands to benefit from increased investment in the power grid and also from the growing importance of broadband communications. Other strong stocks were cable producer CommScope Inc. and Terex Corp., a manufacturer of trucks and farm machinery. Materials holdings including Oregon Steel Mills, Inc. and RTI International Metals, Inc. also contributed to performance.

Performance was hurt by an overweight in health care, where Allied Healthcare International, Inc. and Par Pharmaceutical Companies, Inc. performed poorly on some negative announcements.

The small-cap market can be quite volatile, and that volatility creates opportunities for our contrarian investment philosophy. We seek small-cap companies with positive earnings momentum, positive cash flow and solid balance sheets that can be bought at prices below what we see as their intrinsic value.

David N. Dreman
Nelson Woodard

Co-Managers

Dreman Value Management, L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. Stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements. The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political, or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 2000 Growth Index is an unmanaged capitalization-weighted measure of 2,000 of the smallest capitalized US companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX and Nasdaq.

The unmanaged Russell 2000 Value Index measures the performance of small companies with lower price-to-book ratios and lower forecasted growth values than the overall market.

The unmanaged Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Dreman Small Cap Value VIP

Asset Allocation	**6/30/06**	**12/31/05**
Common Stocks	96%	96%
Cash Equivalents	3%	2%
Closed-End Investment Company	1%	1%
Corporate Bonds	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Industrials	25%	25%
Financials	21%	20%
Materials	10%	8%
Energy	10%	16%
Information Technology	10%	8%
Health Care	10%	9%
Utilities	7%	8%
Consumer Discretionary	4%	3%
Consumer Staples	2%	3%
Telecommunications Services	1%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 69. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Dreman Small Cap Value VIP

	Shares	Value ($)
Common Stocks 95.7%		
Consumer Discretionary 4.2%		
Diversified Consumer Services 0.2%		
Nobel Learning Communities, Inc.	121,300	**1,228,163**
Hotels Restaurants & Leisure 0.8%		
Bally Technologies, Inc.*	147,900	2,435,913
Penn National Gaming, Inc.*	56,500	2,191,070
Shuffle Master, Inc.*	16,300	534,314
		5,161,297
Household Durables 0.2%		
Helen of Troy Ltd.*	79,900	**1,470,160**
Internet & Catalog Retail 0.1%		
Coldwater Creek, Inc.*	14,300	**382,668**
Media 0.6%		
Lakes Entertainment, Inc.*	308,700	**3,732,183**
Multiline Retail 0.3%		
Tuesday Morning Corp.	121,900	**1,602,985**
Specialty Retail 0.6%		
Payless ShoeSource, Inc.*	116,800	3,173,456
Shoe Carnival, Inc.*	33,700	804,082
		3,977,538
Textiles, Apparel & Luxury Goods 1.4%		
Phillips-Van Heusen Corp.	127,500	4,865,400
Wolverine World Wide, Inc.	153,450	3,579,988
		8,445,388
Consumer Staples 1.8%		
Food & Staples Retailing 0.3%		
Nash Finch Co.	86,700	**1,845,843**
Food Products 1.5%		
Chiquita Brands International, Inc.	235,400	3,243,812
Ralcorp Holdings, Inc.*	146,700	6,239,151
		9,482,963
Tobacco 0.0%		
Vector Group Ltd.	1	**16**
Energy 10.0%		
Energy Equipment & Services 4.6%		
Atwood Oceanics, Inc.*	165,900	8,228,640
Bronco Drilling Co., Inc.*	5,500	114,895
Global Industries, Ltd.*	268,200	4,478,940
Hornbeck Offshore Services, Inc.*	31,000	1,101,120
Matrix Service Co.*	159,200	1,821,248
Oil States International, Inc.*	102,500	3,513,700
Superior Energy Services, Inc.*	136,400	4,623,960
Willbros Group, Inc.*	247,300	4,683,862
		28,566,365
Oil, Gas & Consumable Fuels 5.4%		
Carrizo Oil & Gas, Inc.*	116,300	3,641,353
Energy Metals Corp.*	520,000	2,603,959
Holly Corp.	31,400	1,513,480
McMoRan Exploration Co.*	154,100	2,712,160
NGP Capital Resources Co.	52,975	775,024
Parallel Petroleum Corp.*	156,700	3,872,057
Petrohawk Energy Corp.*	291,000	3,666,600
Pinnacle Gas Resources, Inc. 144A*	241,000	2,513,630
Quest Resource Corp.*	140,100	1,898,355
Rosetta Resources, Inc. 144A*	68,400	1,136,808
Uranium Resources, Inc.*	1,340,325	6,849,061
Western Refining, Inc.	88,300	1,905,514
		33,088,001
Financials 19.8%		
Capital Markets 1.1%		
Apollo Investment Corp.	246,500	4,555,320
Hercules Technology Growth Capital, Inc.	110,667	1,339,071
MCG Capital Corp.	46,500	739,350
		6,633,741
Commercial Banks 1.4%		
AmericanWest Bancorp.	86,200	1,952,430
Centennial Bank Holdings, Inc.	400,000	4,136,000
International Bancshares Corp.	25	687
Sterling Financial Corp.	73,773	2,250,814
		8,339,931
Consumer Finance 0.2%		
ASTA Funding, Inc.	31,200	**1,168,440**
Diversified Financial Services 0.2%		
CMET Finance Holdings, Inc.	7,200	133,488
Prospect Energy Corp.	80,256	1,363,549
		1,497,037
Insurance 6.5%		
AmCOMP, Inc.*	88,700	934,898
Amerisafe, Inc.*	241,500	3,004,260
Arch Capital Group Ltd.*	100,200	5,957,892
CastlePoint Holdings Ltd. 144A*	436,100	4,797,100
Endurance Specialty Holdings Ltd.	66,200	2,118,400
Meadowbrook Insurance Group, Inc.*	336,000	2,795,520
Odyssey Re Holdings Corp.	180,500	4,756,175
Platinum Underwriters Holdings Ltd.	82,100	2,297,158
ProCentury Corp.	192,800	2,643,288
Selective Insurance Group, Inc.	94,800	5,296,476
Tower Group, Inc.	189,600	5,735,400
		40,336,567
Real Estate Investment Trusts 8.6%		
Annaly Mortgage Management, Inc. (REIT)	118,900	1,523,109
Capital Lease Funding, Inc. (REIT)	324,100	3,697,981
CBRE Realty Finance, Inc. 144A	200,000	3,143,000
Fieldstone Investment Corp. (REIT)	300,600	2,753,496
Jer Investors Trust, Inc. (REIT)	320,100	4,977,555
KKR Financial Corp. (REIT)	491,150	10,220,832
MFA Mortgage Investments, Inc. (REIT)	243,900	1,678,032
MortgageIT Holdings, Inc. (REIT)	287,800	3,470,868
Newcastle Investment Corp. (REIT)	238,300	6,033,756
NovaStar Financial, Inc. (REIT)	401,600	12,694,576
Vintage Wine Trust, Inc. (REIT) 144A	280,700	2,526,300
		52,719,505

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Real Estate Management & Development 0.4%		
Thomas Properties Group, Inc. (REIT)	229,100	**2,694,216**
Thrifts & Mortgage Finance 1.4%		
BankAtlantic Bancorp., Inc. "A"	177,400	2,632,616
NewAlliance Bancshares, Inc.	255,200	3,651,912
PFF Bancorp., Inc.	63,500	2,105,660
		8,390,188
Health Care 9.2%		
Health Care Equipment & Supplies 2.6%		
Adeza Biomedical Corp.*	117,000	1,640,340
Kinetic Concepts, Inc.*	142,600	6,295,790
Laserscope*	135,100	4,162,431
The Cooper Companies, Inc.	91,700	4,061,393
		16,159,954
Health Care Providers & Services 4.6%		
Allied Healthcare International, Inc.*	439,000	1,176,520
Hanger Orthopedic Group, Inc.*	226,700	1,895,212
Healthspring, Inc.*	206,700	3,875,625
Kindred Healthcare, Inc.*	80,500	2,093,000
LifePoint Hospitals, Inc.*	188,568	6,058,690
Odyssey HealthCare, Inc.*	255,200	4,483,864
Option Care, Inc.	237,500	2,845,250
Pediatrix Medical Group, Inc.*	133,300	6,038,490
		28,466,651
Life Sciences Tools & Services 1.2%		
Charles River Laboratories International, Inc.*	111,400	4,099,520
PerkinElmer, Inc.	108,400	2,265,560
SFBC International, Inc.*	88,700	1,344,692
		7,709,772
Pharmaceuticals 0.8%		
Par Pharmaceutical Companies, Inc.*	140,900	2,601,014
Perrigo Co.	129,400	2,083,340
		4,684,354
Industrials 24.4%		
Aerospace & Defense 4.6%		
Applied Signal Technology, Inc.	80,723	1,375,520
Argon ST, Inc.*	105,900	2,820,117
Aviall, Inc.*	93,800	4,457,376
CAE, Inc.	628,800	4,804,032
DRS Technologies, Inc.	87,300	4,255,875
EDO Corp.	129,000	3,139,860
Herley Industries, Inc.*	141,800	1,589,578
K&F Industries Holdings, Inc.*	179,300	3,178,989
Triumph Group, Inc.*	49,700	2,385,600
		28,006,947
Air Freight & Logistics 0.5%		
ABX Air, Inc.*	507,900	**3,067,716**
Building Products 0.2%		
NCI Building Systems, Inc.*	28,600	**1,520,662**
Commercial Services & Supplies 2.6%		
American Ecology Corp.	151,900	4,025,350
Clean Harbors, Inc.*	51,800	2,088,058
Covanta Holding Corp.*	93,100	1,643,215
Hudson Highland Group, Inc.*	197,200	2,127,788
Pike Electric Corp.*	114,400	2,203,344
WCA Waste Corp.*	471,300	3,888,225
		15,975,980
Construction & Engineering 6.7%		
Chicago Bridge & Iron Co., NV (New York Shares)	204,400	4,936,260
EMCOR Group, Inc.*	179,700	8,745,999
Foster Wheeler Ltd.*	246,950	10,668,240
Granite Construction, Inc.	76,300	3,454,101
Insituform Technologies, Inc. "A"*	130,700	2,991,723
Perini Corp.*	139,100	3,129,750
Sterling Construction Co., Inc.*	40,400	1,115,040
Washington Group International, Inc.*	119,300	6,363,462
		41,404,575
Electrical Equipment 3.7%		
General Cable Corp.*	465,100	16,278,500
Genlyte Group, Inc.*	52,000	3,766,360
Thomas & Betts Corp.*	52,600	2,698,380
		22,743,240
Industrial Conglomerates 1.0%		
Walter Industries, Inc.	102,300	**5,897,595**
Machinery 3.3%		
ESCO Technologies, Inc.*	24,200	1,293,490
Harsco Corp.	61,300	4,778,948
Terex Corp.*	76,400	7,540,680
Valmont Industries, Inc.	63,700	2,961,413
Watts Water Technologies, Inc. "A"	115,900	3,888,445
		20,462,976
Road & Rail 1.0%		
Genesee & Wyoming, Inc.*	179,825	**6,378,393**
Trading Companies & Distributors 0.8%		
WESCO International, Inc.*	67,600	**4,664,400**
Information Technology 9.3%		
Communications Equipment 2.4%		
Black Box Corp.	60,200	2,307,466
CommScope, Inc.*	396,900	12,470,598
		14,778,064
Computers & Peripherals 1.0%		
Avid Technology, Inc.*	67,900	2,263,107
Komag, Inc.*	90,500	4,179,290
		6,442,397
Electronic Equipment & Instruments 3.2%		
Aeroflex, Inc.*	290,800	3,393,636
Anixter International, Inc.	151,800	7,204,428
Applied Films Corp.*	80,300	2,287,747
Mettler-Toledo International, Inc.*	71,400	4,324,698
Scansource, Inc.*	75,000	2,199,000
		19,409,509
Internet Software & Services 0.4%		
Corillian Corp.*	163,100	487,669
Openwave Systems, Inc.*	194,800	2,247,992
		2,735,661
IT Services 0.9%		
CACI International, Inc. "A"*	47,600	2,776,508
Covansys Corp.*	199,700	2,510,229
		5,286,737

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Semiconductors & Semiconductor Equipment 0.9%		
Exar Corp.*	118,700	1,575,149
MKS Instruments, Inc.*	105,300	2,118,636
OmniVision Technologies, Inc.*	89,300	1,886,016
		5,579,801
Software 0.5%		
Cognos, Inc.*	52,400	1,490,780
Sonic Solutions*	87,300	1,440,450
		2,931,230

Materials 10.1%

	Shares	Value ($)
Chemicals 1.0%		
Georgia Gulf Corp.	132,300	3,310,146
Pioneer Companies, Inc.*	100,800	2,749,824
		6,059,970
Construction Materials 0.7%		
Headwaters, Inc.*	72,400	1,850,544
Texas Industries, Inc.	48,700	2,585,970
		4,436,514
Metals & Mining 8.4%		
Aleris International, Inc.*	161,800	7,418,530
Century Aluminum Co.*	79,300	2,830,217
Goldcorp, Inc.	91,950	2,778,729
Metal Management, Inc.	65,700	2,011,734
Northern Orion Resources, Inc.*	655,400	3,185,244
Northwest Pipe Co.*	86,200	2,180,860
Oregon Steel Mills, Inc.*	213,500	10,815,910
Pan American Silver Corp.*	174,700	3,142,853
Quadra Mining Ltd.*	214,800	2,016,576
RTI International Metals, Inc.*	217,000	12,117,280
Stillwater Mining Co.*	92,800	1,176,704
Worthington Industries, Inc.	94,100	1,971,395
		51,646,032

Telecommunication Services 0.6%

	Shares	Value ($)
Diversified Telecommunication Services		
Alaska Communications Systems Group, Inc.	133,400	1,687,510
DataPath, Inc. 144A*	161,700	1,778,700
		3,466,210

Utilities 6.3%

	Shares	Value ($)
Electric Utilities 1.1%		
Allegheny Energy, Inc.*	102,000	3,781,140
Sierra Pacific Resources*	188,300	2,636,200
		6,417,340
Gas Utilities 2.6%		
ONEOK, Inc.	112,400	3,826,096
Southern Union Co.	459,275	12,427,982
		16,254,078
Independent Power Producers & Energy Traders 1.6%		
Dynegy, Inc. "A"*	1,119,700	6,124,759
Mirant Corp.*	141,838	3,801,258
		9,926,017
Multi-Utilities 1.0%		
CMS Energy Corp.*	106,200	1,374,228
TECO Energy, Inc.	132,900	1,985,526
WPS Resources Corp.	54,700	2,713,120
		6,072,874
Total Common Stocks (Cost $ 461,943,384)		**589,348,844**

Closed End Investment Company 0.5%

	Shares	Value ($)
Tortoise Energy Infrastructure Corp. (Cost $2,680,334)	110,100	**3,149,961**

Exchange Traded Funds 0.1%

	Shares	Value ($)
PowerShares Lux Nanotech Portfolio (Cost $289,198)	18,200	**315,588**

Cash Equivalents 2.7%

	Shares	Value ($)
Cash Management QP Trust, 5.07% (a) (Cost $16,773,875)	16,773,875	**16,773,875**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $481,686,791)†	99.0	**609,588,268**
Other Assets and Liabilities, Net	1.0	**6,272,993**
Net Assets	100.0	**615,861,261**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $481,531,472. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $128,056,796. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $151,266,639 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $23,209,843.*

(a) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $464,912,916)	$	592,814,393
Investment in Cash Management QP Trust (cost $16,773,875)		16,773,875
Total investments in securities, at value (cost $481,686,791)		609,588,268
Cash		1,810,348
Receivable for investments sold		4,679,998
Dividends receivable		778,615
Interest receivable		65,458
Receivable for Portfolio shares sold		21,966
Foreign taxes recoverable		613
Other assets		9,566
Total assets		616,954,832

Liabilities		
Payable for investments purchased		174,932
Payable for Portfolio shares redeemed		395,003
Accrued management fee		350,985
Other accrued expenses and payables		172,651
Total liabilities		1,093,571
Net assets, at value	**$**	**615,861,261**

Net Assets		
Net assets consist of:		
Undistributed net investment income		1,512,593
Net unrealized appreciation (depreciation) on:		
Investments		127,901,477
Foreign currency related transactions		(17)
Accumulated net realized gain (loss)		69,390,980
Paid-in capital		417,056,228
Net assets, at value	**$**	**615,861,261**
Class A		
Net Asset Value, offering and redemption price per share ($527,953,902 ÷ 25,479,401 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**20.72**
Class B		
Net Asset Value, offering and redemption price per share ($87,907,359 ÷ 4,243,088 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**20.72**

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $5,489)	$	3,927,911
Interest — Cash Management QP Trust		448,693
Total Income		4,376,604
Expenses:		
Management fee		2,329,508
Custodian fees		13,667
Distribution service fees (Class B)		112,185
Record keeping fees (Class B)		59,999
Auditing		22,803
Legal		10,975
Trustees' fees and expenses		45,821
Reports to shareholders		37,105
Other		17,844
Total expenses before expense reductions		2,649,907
Expense reductions		(6,108)
Total expenses after expense reductions		2,643,799
Net investment income (loss)		**1,732,805**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		69,331,611
Foreign currency related transactions		(4,962)
		69,326,649
Net unrealized appreciation (depreciation) during the period on:		
Investments		3,098,229
Foreign currency related transactions		25
		3,098,254
Net gain (loss) on investment transactions		**72,424,903**
Net increase (decrease) in net assets resulting from operations	**$**	**74,157,708**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 1,732,805	$ 4,907,111
Net realized gain (loss) on investment transactions	69,326,649	48,534,771
Net unrealized appreciation (depreciation) during the period on investment transactions	3,098,254	198,792
Net increase (decrease) in net assets resulting from operations	74,157,708	53,640,674
Distributions to shareholders from:		
Net investment income:		
Class A	(4,273,776)	(3,388,867)
Class B	(345,890)	(268,871)
Distributions to shareholders from:		
Net realized gains:		
Class A	(41,452,231)	(41,035,260)
Class B	(7,012,173)	(6,476,182)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	18,543,389	48,442,270
Reinvestment of distributions	45,726,007	44,424,127
Cost of shares redeemed	(46,696,068)	(69,095,690)
Net increase (decrease) in net assets from Class A share transactions	17,573,328	23,770,707
Class B		
Proceeds from shares sold	3,665,250	12,290,754
Reinvestment of distributions	7,358,063	6,745,052
Cost of shares redeemed	(9,132,304)	(7,563,486)
Net increase (decrease) in net assets from Class B share transactions	1,891,009	11,472,320
Increase (decrease) in net assets	40,537,975	37,714,521
Net assets at beginning of period	575,323,286	537,608,765
Net assets at end of period (including undistributed net investment income of $1,512,593 and $4,399,454, respectively)	**$ 615,861,261**	**$ 575,323,286**

Other Information		
Class A		
Shares outstanding at beginning of period	24,658,095	23,288,245
Shares sold	869,639	2,554,460
Shares issued to shareholders in reinvestment of distributions	2,176,392	2,463,900
Shares redeemed	(2,224,725)	(3,648,510)
Net increase (decrease) in Class A shares	821,306	1,369,850
Shares outstanding at end of period	**25,479,401**	**24,658,095**
Class B		
Shares outstanding at beginning of period	4,153,458	3,531,644
Shares sold	171,260	641,746
Shares issued to shareholders in reinvestment of distributions	349,884	373,894
Shares redeemed	(431,514)	(393,826)
Net increase (decrease) in Class B shares	89,630	621,814
Shares outstanding at end of period	**4,243,088**	**4,153,458**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$19.98**	**$20.05**	**$16.06**	**$11.66**	**$13.21**	**$11.23**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.07	.19	.17	.19	.17	.09
Net realized and unrealized gain (loss) on investment transactions	2.56	1.67	3.98	4.55	(1.67)	1.89
Total from investment operations	2.63	1.86	4.15	4.74	(1.50)	1.98
Less distributions from:						
Net investment income	(.18)	(.15)	(.16)	(.15)	(.05)	—
Net realized gain on investment transactions	(1.71)	1.78	—	(.19)	—	—
Total distributions	(1.89)	(1.93)	(.16)	(.34)	(.05)	—
Net asset value, end of period	**$20.72**	**$19.98**	**$20.05**	**$16.06**	**$11.66**	**$13.21**
Total Return (%)	13.01**	10.25	26.03	42.15	(11.43)	17.63
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	528	493	467	354	250	194
Ratio of expenses (%)	.80*	.79	.79	.80	.81	.79
Ratio of net investment income (%)	.61*	.96	.96	1.46	1.28	.77
Portfolio turnover rate (%)	66*	61	73	71	86	57

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$19.93**	**$20.01**	**$16.03**	**$11.65**	**$13.86**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.03	.11	.10	.13	.17
Net realized and unrealized gain (loss) on investment transactions	2.55	1.66	3.97	4.56	(2.38)
Total from investment operations	2.58	1.77	4.07	4.69	(2.21)
Less distributions from:					
Net investment income	(.08)	(.07)	(.09)	(.12)	—
Net realized gain on investment transactions	(1.71)	(1.78)	—	(.19)	—
Total distributions	(1.79)	(1.85)	(.09)	(.31)	—
Net asset value, end of period	**$20.72**	**$19.93**	**$20.01**	**$16.03**	**$11.65**
Total Return (%)	12.83**	9.78	25.52	41.65	(15.95)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	88	83	71	32	1
Ratio of expenses (%)	1.18*	1.19	1.16	1.19	1.06*
Ratio of net investment income (%)	.23*	.56	.59	1.07	3.01*
Portfolio turnover rate (%)	66*	61	73	71	86

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Global Thematic VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,109.10	$1,107.00
Expenses Paid per $1,000*	$ 5.44	$ 7.42
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,019.64	$1,017.75
Expenses Paid per $1,000*	$ 5.21	$ 7.10

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Global Thematic VIP	1.04%	1.42%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Global Thematic VIP

The Portfolio produced a return of 10.91% (Class A shares, unadjusted for contract charges) during the first half of 2006, outpacing the 6.06% return of the MSCI World Index and the 5.91% average return of the funds in Lipper's Global Core category.

We continue to look for long-term themes in the global economy, then invest in fundamentally sound companies we believe will stand to benefit as these themes unfold. There are currently 12 themes in the Portfolio, and each contributed positively to performance during the period. The top-performing theme was "Ultimate Subcontractors," which invests in energy and other basic materials stocks. Here, the Brazilian paper manufacturer Aracruz Celulose SA gained ground behind the company's growing pricing power, and we elected to sell the position at a profit. Russia's OAO Gazprom, which benefited from rising energy prices, also performed well. The theme "Disequilibria," which focuses on companies that are forced to make positive change due to industry flux, was another strong contributor. The top performers here were Italy's Capitalia SpA (not held by the Portfolio at the end of the reporting period) and Germany's Commerzbank AG both of which benefited from restructuring initiatives. Notable detractors included Turkiye Is Bankasi and EMC.

Instead of focusing on economic cycles, which we do not believe can be predicted; we will continue to look for the largest inefficiencies and changes affecting the world. As always, we seek to maintain a Portfolio of diversified themes that we believe will allow us always to have some investments working even as others are not.

Oliver Kratz

Lead Portfolio Manager

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization-weighted measure of global stock markets around the world, including North America, Europe, Australia and the Far East. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Lipper Global Core category includes funds that, by portfolio practice, invest at least 75% of their equity assets in companies both inside and outside of the U.S. with market capitalizations (on a three-year weighted basis) greater than the 500th-largest company in the S&P/Citigroup World Broad Market Index. Large-cap core funds typically have an average price-to-cash flow sets in ratio, price-to-book ratio, and three-year sales-per-share growth value compared to the S&P/Citigroup World BMI. It is not possible to invest directly into a Lipper category.

Lipper figures represent the average of the total returns reported by all of the mutual funds designated by Lipper Inc. as falling into the category indicated.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Global Thematic VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	88%	91%
Cash Equivalents	9%	5%
Exchange Traded Funds	2%	2%
Preferred Stocks	1%	2%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/06**	**12/31/05**
Financials	23%	28%
Information Technology	14%	10%
Industrials	12%	9%
Consumer Discretionary	11%	7%
Energy	11%	12%
Health Care	10%	9%
Materials	9%	11%
Consumer Staples	5%	8%
Telecommunication Services	4%	4%
Utilities	1%	2%
	100%	100%

Geographical Diversification (As a % of Common and Preferred Stocks)	**6/30/06**	**12/31/05**
Continental Europe	31%	27%
United States	29%	22%
Asia (excluding Japan)	13%	21%
Japan	7%	9%
United Kingdom	5%	7%
Latin America	5%	4%
Middle East	4%	2%
Bermuda	3%	2%
Canada	1%	3%
Africa	1%	2%
Australia	1%	1%
	100%	100%

Asset allocation, sector diversification and geographical diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 78. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Global Thematic VIP

	Shares	Value ($)
Common Stocks 91.7%		
Australia 0.6%		
Australian Agricultural Co., Ltd.	72,900	104,823
Macquarie Airports	303,200	691,695
(Cost $849,838)		**796,518**
Austria 1.2%		
Erste Bank der Oesterreichischen Sparkassen AG (a) (Cost $1,455,881)	26,967	**1,517,655**
Bermuda 3.0%		
Credicorp Ltd.	39,550	1,184,918
Marvell Technology Group Ltd.*	21,850	968,611
Tyco International Ltd.	65,225	1,793,687
(Cost $4,048,564)		**3,947,216**
Brazil 1.7%		
Diagnosticos da America SA*	32,700	649,199
Gol-Linhas Aereas Inteligentes SA (ADR) (Preferred)	14,150	502,325
Petroleo Brasileiro SA (ADR)	12,400	1,107,444
(Cost $2,211,189)		**2,258,968**
Canada 1.1%		
Goldcorp, Inc.	30,800	928,442
Meridian Gold, Inc.*	17,200	542,671
(Cost $597,872)		**1,471,113**
China 1.1%		
Shanghai Electric Group Co., Ltd. "H"	1,997,800	694,547
Xinao Gas Holdings Ltd.	738,800	703,954
(Cost $1,376,452)		**1,398,501**
Finland 1.0%		
Neste Oil Oyj	19,500	686,888
UPM-Kymmene Oyj	29,650	639,017
(Cost $1,088,247)		**1,325,905**
France 3.3%		
Credit Agricole SA	22,209	845,091
Total SA	52,884	3,480,145
(Cost $3,291,936)		**4,325,236**
Germany 12.9%		
Allianz AG (Registered)	6,462	1,020,921
BASF AG	11,607	932,028
Bayer AG	30,001	1,379,118
Bayerische Motoren Werke AG	21,235	1,060,894
Commerzbank AG	30,335	1,103,472
DaimlerChrysler AG	25,150	1,241,404
Deutsche Post AG (Registered)	70,896	1,900,644
Deutsche Telekom AG (Registered)	90,504	1,456,251
E.ON AG	8,509	979,727
Gfk AG	13,460	490,657
Hypo Real Estate Holding AG	18,564	1,127,616
Siemens AG (Registered)	14,379	1,251,171
Stada Arzneimittel AG (a)	30,236	1,205,836
TUI AG (a)	82,122	1,627,041
(Cost $15,378,714)		**16,776,780**

	Shares	Value ($)
Hong Kong 1.5%		
Hongkong & Shanghai Hotels Ltd.	595,916	663,724
Industrial & Commercial Bank of China (Asia) Ltd.	330,200	486,820
Sun Hung Kai Properties Ltd.	85,000	866,822
(Cost $2,025,017)		**2,017,366**
Hungary 0.5%		
Magyar Telekom (ADR) (Cost $683,603)	31,500	**596,610**
India 0.7%		
Infosys Technologies Ltd. (Cost $686,371)	14,400	**963,352**
Israel 1.7%		
Check Point Software Technologies Ltd.*	40,150	705,837
NICE Systems Ltd. (ADR)*	24,000	675,360
Teva Pharmaceutical Industries Ltd. (ADR)	25,350	800,806
(Cost $2,301,504)		**2,182,003**
Italy 1.2%		
Assicurazioni Generali SpA (a)	17,000	619,265
Telecom Italia SpA	339,900	946,667
(Cost $1,528,745)		**1,565,932**
Japan 6.5%		
FANUC Ltd.	10,500	943,202
Komatsu Ltd.	54,000	1,073,488
Mitsubishi Estate Co., Ltd.	51,000	1,082,926
Mitsui Fudosan Co., Ltd.	60,000	1,302,866
Mizuho Financial Group, Inc.	254	2,150,699
Nomura Holdings, Inc.	39,000	730,994
Shinsei Bank Ltd.	182,000	1,153,006
(Cost $4,599,592)		**8,437,181**
Korea 4.7%		
Hankook Tire Co., Ltd.	81,360	956,168
Hynix Semiconductor, Inc.*	18,100	586,640
Hyundai Motor Co.	18,280	1,552,957
LG Chem Ltd.	18,000	626,087
Samsung Electronics Co., Ltd.	1,980	1,258,435
Ssangyong Motor Co.*	103,700	517,544
STX Pan Ocean Co., Ltd.	1,400,000	574,912
(Cost $6,089,005)		**6,072,743**
Malaysia 1.2%		
AMMB Holdings Bhd.	474,400	325,347
IOI Corp. Bhd.	93,500	363,873
Resorts World Bhd.	285,600	909,381
(Cost $1,536,573)		**1,598,601**
Mexico 3.1%		
Fomento Economico Mexicano SA de CV (ADR)	23,800	1,992,536
Grupo Aeroportuario del Sureste SA de CV (ADR)	20,600	691,954
Grupo Televisa SA (ADR)	73,400	1,417,354
(Cost $3,871,381)		**4,101,844**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Netherlands 1.3%		
ABN AMRO Holding NV (Cost $1,672,407)	61,100	**1,671,628**
Norway 0.5%		
Norsk Hydro ASA (Cost $652,599)	24,850	**658,685**
Poland 0.5%		
Telekomunikacja Polska SA (GDR) (REG S) (Cost $595,593)	97,000	**596,550**
Russia 1.5%		
Mobile TeleSystems (ADR)	18,225	536,544
OAO Gazprom (ADR) (REG S) (b)	7,225	303,811
OAO Gazprom (ADR) (REG S) (b)	9,699	407,843
OAO Vimpel-Communications (ADR)*	16,850	772,067
(Cost $1,732,250)		**2,020,265**
Singapore 0.3%		
DBS Group Holdings Ltd. (Cost $237,592)	37,000	**423,098**
South Africa 0.8%		
Lewis Group Ltd.	83,900	540,611
Naspers Ltd. "N"	28,300	481,021
(Cost $1,097,261)		**1,021,632**
Spain 1.1%		
Repsol YPF SA (ADR)(Cost $1,418,412)	50,150	**1,407,209**
Sweden 1.8%		
Atlas Copco AB "B"	38,900	1,010,776
Telefonaktiebolaget LM Ericsson "B"	392,800	1,299,008
(Cost $2,374,970)		**2,309,784**
Switzerland 3.1%		
Credit Suisse Group (Registered)	22,120	1,237,584
Julius Baer Holding Ltd. (Registered)	21,243	1,845,329
Novartis AG (Registered)	16,676	902,990
(Cost $3,299,188)		**3,985,903**
Taiwan 0.9%		
Asustek Computer, Inc.	408,000	1,001,807
Bank of Kaohsiung	265,000	115,404
(Cost $1,270,562)		**1,117,211**
Thailand 2.3%		
Bangkok Bank PCL (Foreign Registered)	291,200	809,738
Kasikornbank PCL (Foreign Registered)	339,800	543,751
Krung Thai Bank PCL (Foreign Registered)	1,352,500	358,349
PTT Chemical PCL (Foreign Registered)	213,350	472,929
Siam City Bank PCL (Foreign Registered)	372,200	182,585
Thai Oil PCL (Foreign Registered)	355,800	592,689
(Cost $2,787,732)		**2,960,041**
Turkey 1.2%		
Turkcell Iletisim Hizmetleri AS (ADR)	7,707	91,409
Turkiye Is Bankasi "C"	297,400	1,465,858
(Cost $2,053,707)		**1,557,267**

	Shares	Value ($)
United Kingdom 4.5%		
Anglo American PLC	32,402	1,328,977
GlaxoSmithKline PLC	64,451	1,800,853
HSBC Holdings PLC	518	9,077
Kingfisher PLC	246,571	1,087,463
Royal Bank of Scotland Group PLC	48,289	1,587,685
(Cost $4,809,054)		**5,814,055**
United States 24.9%		
AGCO Corp.*	8,100	213,192
Akamai Technologies, Inc.*	38,600	1,396,934
Caremark Rx, Inc.*	21,450	1,069,711
Cisco Systems, Inc.*	111,575	2,179,060
Citigroup, Inc.	34,725	1,675,134
Coca-Cola Co.	32,600	1,402,452
Dell, Inc.*	37,625	918,426
E.I. du Pont de Nemours & Co.	15,475	643,760
EMC Corp.*	121,800	1,336,146
ExxonMobil Corp.	42,375	2,599,706
Foundry Networks, Inc.*	44,800	477,568
General Electric Co.	70,075	2,309,672
General Mills, Inc.	20,650	1,066,779
Intel Corp.	80,900	1,533,055
Johnson & Johnson	12,750	763,980
KKR Private Equity Investors LP*	28,525	624,698
MetLife, Inc.	21,775	1,115,098
Monsanto Co.	12,800	1,077,632
Newmont Mining Corp.	24,400	1,291,492
Oracle Corp.*	69,175	1,002,346
Pfizer, Inc.	44,475	1,043,828
Sara Lee Corp.	37,200	595,944
Schlumberger Ltd.	27,225	1,772,620
St. Jude Medical, Inc.*	47,000	1,523,740
Symantec Corp.*	76,800	1,193,473
Wyeth	22,825	1,013,658
Zimmer Holdings, Inc.*	10,875	616,830
(Cost $31,098,373)		**32,456,934**
Total Common Stocks (Cost $108,720,186)		**119,353,786**

Preferred Stocks 1.2%

	Shares	Value ($)
Brazil 0.3%		
Braskem SA "A" (Cost $610,590)	76,900	**471,860**
Germany 0.9%		
Porsche AG (Cost $887,406)	1,206	**1,165,801**
Total Preferred Stocks (Cost $1,497,996)		**1,637,661**

Exchange Traded Funds 2.4%

	Shares	Value ($)
Biotech HOLDRs Trust	5,200	917,696
iShares Nasdaq Biotechnology Index Fund* (a)	29,775	2,164,643
Total Exchange Traded Funds (Cost $3,030,789)		**3,082,339**

Call Options Purchased 0.0%

	Shares	Value ($)
Microsoft Corp. (Cost $76,477)	495	**47,025**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Securities Lending Collateral 4.2%		
Daily Assets Fund Institutional, 5.1% (c) (d) (Cost $5,421,806)	5,421,806	**5,421,806**
Cash Equivalents 8.9%		
Cash Management QP Trust, 5.07% (e) (Cost $11,663,926)	11,663,926	**11,663,926**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $130,411,180)†	108.4	**141,206,543**
Other Assets and Liabilities, Net	(8.4)	**(11,000,941)**
Net Assets	100.0	**130,205,602**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $130,531,102. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $10,675,441. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $14,705,893 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,030,452.*

(a) *All or a portion of these securities were on loan (see Note to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $5,206,722 which is 4.0% of net assets.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $113,325,448) — including $5,206,722 of securities loaned	$	124,120,811
Investment in Daily Assets Fund Institutional (cost $5,421,806)*		5,421,806
Investment in Cash Management QP Trust (cost $11,663,926)		11,663,926
Total investments in securities, at value (cost $130,411,180)		141,206,543
Cash		1,675
Foreign currency, at value (cost $661,844)		666,125
Dividends receivable		143,611
Interest receivable		14,770
Receivable for investments sold		1,828,826
Foreign taxes recoverable		19,192
Other assets		1,724
Total assets		143,882,466
Liabilities		
Payable for investments purchased		7,896,271
Payable upon return of securities loaned		5,421,806
Payable for Portfolio shares redeemed		278,930
Deferred foreign taxes payable		1,067
Other accrued expenses and payables		78,790
Total liabilities		13,676,864
Net assets, at value	**$**	**130,205,602**
Net Assets		
Net assets consist of:		
Undistributed net investment income		943,241
Net unrealized appreciation (depreciation) on:		
Investments (net of foreign taxes of $1,067)		10,794,296
Foreign currency related transactions		(340)
Accumulated net realized gain (loss)		17,038,519
Paid-in capital		101,429,886
Net assets, at value	**$**	**130,205,602**
Class A		
Net Asset Value, offering and redemption price per share ($108,603,026 ÷ 7,324,210 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.83**
Class B		
Net Asset Value, offering and redemption price per share ($21,602,576 ÷ 1,454,682 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.85**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $144,769)	$	1,500,415
Interest		1,008
Interest — Cash Management QP Trust		102,355
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		68,977
Total Income		1,672,755
Expenses:		
Management fee		605,686
Custodian and accounting fees		186,806
Distribution service fees (Class B)		27,471
Record keeping fees (Class B)		14,089
Auditing		27,693
Legal		8,403
Trustees' fees and expenses		8,013
Reports to shareholders		11,967
Other		8,645
Total expenses before expense reductions		898,773
Expense reductions		(226,867)
Total expenses after expense reductions		671,906
Net investment income (loss)		**1,000,849**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments (net of foreign taxes of $71)		17,351,605
Foreign currency related transactions		(64,019)
		17,287,586
Net unrealized appreciation (depreciation) during the period on:		
Investments (net of deferred foreign taxes of $42,061)		(6,449,070)
Foreign currency related transactions		(1,465)
		(6,450,535)
Net gain (loss) on investment transactions		**10,837,051**
Net increase (decrease) in net assets resulting from operations	**$**	**11,837,900**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 1,000,849	$ 772,300
Net realized gain (loss) on investment transactions	17,287,586	13,242,108
Net unrealized appreciation (depreciation) during the period on investment transactions	(6,450,535)	4,296,970
Net increase (decrease) in net assets resulting from operations	11,837,900	18,311,378
Distributions to shareholders from:		
Net investment income:		
Class A	(572,746)	(188,888)
Class B	(42,929)	—
Net realized gains:		
Class A	(7,184,784)	—
Class B	(1,620,965)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	21,116,193	15,806,082
Reinvestment of distributions	7,757,530	188,888
Cost of shares redeemed	(7,213,975)	(8,739,580)
Net increase (decrease) in net assets from Class A share transactions	21,659,748	7,255,390
Class B		
Proceeds from shares sold	3,149,765	5,152,763
Reinvestment of distributions	1,663,894	—
Cost of shares redeemed	(3,330,653)	(1,457,434)
Net increase (decrease) in net assets from Class B share transactions	1,483,006	3,695,329
Increase (decrease) in net assets	25,559,230	29,073,209
Net assets at beginning of period	104,646,372	75,573,163
Net assets at end of period (including undistributed net investment income of $943,241 and $558,067, respectively)	**$ 130,205,602**	**$ 104,646,372**

Other Information		
Class A		
Shares outstanding at beginning of period	5,887,898	5,350,985
Shares sold	1,402,261	1,229,117
Shares issued to shareholders in reinvestment of distributions	513,064	15,980
Shares redeemed	(479,013)	(708,184)
Net increase (decrease) in Class A shares	1,436,312	536,913
Shares outstanding at end of period	**7,324,210**	**5,887,898**
Class B		
Shares outstanding at beginning of period	1,359,840	1,064,827
Shares sold	201,976	406,987
Shares issued to shareholders in reinvestment of distributions	109,755	—
Shares redeemed	(216,889)	(111,974)
Net increase (decrease) in Class B shares	94,842	295,013
Shares outstanding at end of period	**1,454,682**	**1,359,840**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$14.44**	**$11.78**	**$10.39**	**$ 8.08**	**$ 9.64**	**$11.81**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.13	.12	.04	.09	.07	.08
Net realized and unrealized gain (loss) on investment transactions	1.48	2.58	1.48	2.25	(1.57)	(1.90)
Total from investment operations	1.61	2.70	1.52	2.34	(1.50)	(1.82)
Less distributions from:						
Net investment income	(.09)	(.04)	(.13)	(.03)	(.06)	—
Net realized gain on investment transactions	(1.13)	—	—	—	—	(.35)
Total distributions	(1.22)	(.04)	(.13)	(.03)	(.06)	(.35)
Net asset value, end of period	**$14.83**	**$14.44**	**$11.78**	**$10.39**	**$ 8.08**	**$ 9.64**
Total Return (%)	10.91[c]**	22.94[c]	14.76	29.13[c]	(15.77)	(15.48)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	109	85	63	55	43	44
Ratio of expenses before expense reductions (%)	1.42*	1.41	1.44	1.48	1.32	1.24
Ratio of expenses after expense reductions (%)	1.04*	1.28	1.43	1.17	1.32	1.24
Ratio of net investment income (%)	1.72*	.98	.38	1.02	.79	.76
Portfolio turnover rate (%)	163*	95	81	65	41	52

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$14.43**	**$11.78**	**$10.38**	**$ 8.06**	**$ 8.98**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.10	.07	.00[e]	.04	.02
Net realized and unrealized gain (loss) on investment transactions	1.48	2.58	1.48	2.29	(.94)
Total from investment operations	1.58	2.65	1.48	2.33	(.92)
Less distributions from:					
Net investment income	(.03)	—	(.08)	(.01)	—
Net realized gain on investment transactions	(1.13)	—	—	—	—
Total from investment operations	(1.16)	—	(.08)	(.01)	—
Net asset value, end of period	**$14.85**	**$14.43**	**$11.78**	**$10.38**	**$ 8.06**
Total Return (%)	10.70[d]**	22.50[d]	14.33	28.96[d]	(10.24)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	22	20	13	6	.2
Ratio of expenses before expense reductions (%)	1.79*	1.79	1.84	1.87	1.60*
Ratio of expenses after expense reductions (%)	1.42*	1.65	1.83	1.64	1.60*
Ratio of net investment income (%)	1.34*	.61	.02	.55	.49*
Portfolio turnover rate (%)	163*	95	81	65	41

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
e *Amount is less than $.005 per share.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Government & Agency Securities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$ 993.30	$ 991.70
Expenses Paid per $1,000*	$ 3.26	$ 5.14

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,021.52	$1,019.64
Expenses Paid per $1,000*	$ 3.31	$ 5.21

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Government & Agency Securities VIP	.66%	1.04%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Government & Agency Securities VIP

The semiannual period saw the US economy continue to display solid economic growth. While inflation remained generally moderate, it showed some signs of picking up, and there were increasing concerns over its direction as the period progressed. In addition, the transition to a new US Federal Reserve Board (the Fed) chairman was not entirely seamless from the perspective of market participants. In a break from the prior "measured approach" to raising rates in the attempt to achieve a neutral policy, Chairman Bernanke indicated that future rate changes would depend on incoming economic data. The increased uncertainty with respect to inflation and Fed policy led to a more volatile interest rate environment and an overall upward trend for rates. This backdrop was less than favorable for fixed-income generally and mortgage backed securities in particular.

During the six-month period ended June 30, 2006, the Portfolio provided a total return of –0.67% (Class A shares, unadjusted for contract charges) compared with the –0.53% return of its benchmark, the Lehman Brothers GNMA Index.

During the period, we focused largely on seasoned mortgages and mortgage pools with smaller loan sizes or specific geographic profiles that we expected to provide predictable cash flows in a wide variety of interest rate scenarios. Mortgage-backed securities with these characteristics usually trade at a slight premium, and this strategy did not pay off in an environment where mortgages broadly underperformed. We believe this area of the market represents a good value and we have added to our holdings there. Our focus on high-coupon, shorter duration mortgages constrained performance as yield curve movements favored longer duration issues among 30-year mortgage pools. Our exposure to 15-year GNMAs contributed positively to performance, as did our position in US Treasury issues. Going forward, we will be monitoring the housing market and interest rate environment closely as we seek to maintain an attractive dividend for investors.

William Chepolis, CFA
Matthew F. MacDonald
Co-Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The government guarantee relates only to the prompt payment of principal and interest and does not remove market risks. Additionally, yields will fluctuate in response to changing interest rates and may be affected by the prepayment of mortgage-backed securities. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers GNMA Index is an unmanaged, market-value-weighted measure of all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Government & Agency Securities VIP

Asset Allocation	6/30/06	12/31/05
Agencies Backed by the Full Faith and Credit of the US Government (GNMA)	68%	58%
Agencies Not Backed by the Full Faith and Credit of the US Government (FNMA, FHLMC)	21%	32%
Cash Equivalents	7%	5%
US Treasury Obligations	4%	5%
	100%	100%

Quality*	6/30/06	12/31/05
AAA	100%	100%

* *Includes cash equivalents*

Interest Rate Sensitivity	6/30/06	12/31/05
Average Maturity	7.4 years	5.9 years
Average Duration	5.5 years	4.0 years

Asset allocation, quality and interest rate sensitivity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 87. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Government & Agency Securities VIP

	Principal Amount ($)	Value ($)
Agencies Backed by the Full Faith Credit of the US Government 70.0%		
Government National Mortgage Association:		
5.0%, with various maturities from 4/20/2033 until 2/15/2035 (c)	35,558,957	33,621,570
5.5%, with various maturities from 10/15/2032 until 3/1/2034 (c) (d)	67,544,452	65,353,708
6.0%, with various maturities from 12/20/2031 until 4/15/2036 (c)	46,771,570	46,375,318
6.5%, with various maturities from 3/15/2014 until 5/20/2036 (c) (d)	21,615,549	21,854,492
7.0%, with various maturities from 6/20/2017 until 10/15/2032 (c)	5,458,492	5,619,582
7.5%, with various maturities from 4/15/2026 until 7/15/2032	2,688,642	2,810,293
8.0%, with various maturities from 12/15/2026 until 11/15/2031	835,658	887,915
8.5%, with various maturities from 5/15/2016 until 12/15/2030	136,477	146,447
9.5%, with various maturities from 6/15/2013 until 12/15/2022	58,198	63,345
10.0%, with various maturities from 2/15/2016 until 3/15/2016	23,588	25,736
Total Agencies Backed by the Full Faith Credit of the US Government (Cost $183,307,833)		**176,758,406**
Agencies Not Backed by the Full Faith Credit of the US Government 21.1%		
Federal Farm Credit Bank, 5.375%, 7/18/2011	15,000,000	14,925,855
Federal Home Loan Mortgage Corp.:		
4.5%, 5/1/2019	69,545	65,740
4.624%*, 2/1/2035	800,699	777,531
5.5%, 2/1/2017	65,810	64,670
6.5%, 9/1/2032	202,799	204,704
7.0%, with various maturities from 5/1/2029 until 8/1/2035	4,481,553	4,578,099
7.5%, with various maturities from 1/1/2027 until 5/1/2032	254,611	263,947
8.0%, 11/1/2030	3,086	3,256
8.5%, 7/1/2030	4,551	4,879
Federal National Mortgage Association:		
4.6%*, 1/1/2035	1,524,401	1,491,647
4.671%*, 2/1/2035	1,240,577	1,212,073
4.739%*, 5/1/2035	1,997,271	1,947,934
5.0%, 10/1/2033	762,099	715,841
5.5%, with various maturities from 2/1/2033 until 6/1/2034	4,143,364	3,990,527
6.0%, 9/1/2035	6,896,791	6,779,683
7.0%, with various maturities from 9/1/2013 until 7/1/2034	742,117	759,601
8.0%, 12/1/2024	15,462	16,303
International Bank for Reconstruction & Development, Zero Coupon, 7/3/2006	15,640,000	15,635,603
Total Agencies Not Backed by the Full Faith Credit of the US Government (Cost $54,277,196)		**53,437,893**
Collateralized Mortgage Obligations 12.9%		
Federal Home Loan Mortgage Corp.:		
"PO", Series 228, Principal Only, 2/1/2035	2,032,837	1,458,866
"PF", Series 2962, 5.449%*, 3/15/2035	3,892,495	3,877,131
"IO", Series 228, Interest Only, 6.0%, 2/1/2035	2,032,837	512,539
Federal National Mortgage Association:		
"LO", Series 2005-50, Principal Only, 6/25/2035	1,313,256	944,837
"IN", Series 2003-84, Interest Only, 4.5%, 4/25/2013	2,520,183	117,760
"PF", Series 2005-59, 5.573%*, 5/25/2035	2,741,088	2,734,708
Government National Mortgage Association:		
"IB", Series 2003-86, Interest Only, 5.0%, 1/20/2029	4,550,000	699,212
"DA", Series 2005-45, 5.388%*, 6/16/2035	8,992,092	8,961,491
"FH", Series 1999-18, 5.458%*, 5/16/2029	2,422,481	2,427,668
"FA", Series 2005-18, 5.467%*, 10/20/2032	3,000,000	2,993,193
"ZA" Series 2006-7, 5.5%, 2/20/2036	1,731,382	1,455,259
"FE", Series 2003-57, 5.508%*, 3/16/2033	219,894	219,344
"FA", Series 2006-25, 5.567%*, 5/20/2036	4,978,229	4,968,349
"FB", Series 2001-28, 5.708%*, 6/16/2031	1,108,539	1,118,861
Total Collateralized Mortgage Obligations (Cost $32,934,781)		**32,489,218**
US Treasury Obligations 4.7%		
US Treasury Bill, 4.58%**, 7/20/2006 (a)	190,000	189,541
US Treasury Note, 3.0%, 11/15/2007	12,000,000	11,650,776
Total US Treasury Obligations (Cost $11,830,009)		**11,840,317**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Cash Equivalents 8.7%		
Cash Management QP Trust, 5.07% (b) (Cost $21,999,006)	21,999,006	**21,999,006**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $304,348,825)†	117.4	**296,524,840**
Other Assets and Liabilities, Net	(17.4)	**(43,921,025)**
Net Assets	100.0	**252,603,815**

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2006.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $304,348,825. At June 30, 2006, net unrealized depreciation for all securities based on tax cost was $7,823,985. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $280,316 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $8,104,301.*

(a) *At June 30, 2006, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(b) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Mortgage dollar rolls included.*

(d) *When-issued or forward delivery pools included.*

Interest Only: Interest Only (IO) bonds represent the "interest only" portion of payments on a pool of underlying mortgages or mortgage-backed securities. IO securities are subject to prepayment risk of the pool of underlying mortgages.

Principal Only: Principal Only (PO) bonds represent the "principal only" portion of payments on a pool of underlying mortgages or mortgage-backed securities.

At June 30, 2006, open futures contracts purchased were as follows:

Futures	Expiration	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
10-Year US Treasury Note	9/20/2006	182	19,030,975	19,084,406	53,431
5-Year US Treasury Note	9/20/2006	120	12,371,615	12,408,750	37,135
Total net unrealized appreciation					**90,566**

At June 30, 2006, open futures contracts sold were as follows:

Futures	Expiration	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
10 Year Interest Rate Swap	9/18/2006	21	2,148,421	2,141,672	**6,749**

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal Home Loan Mortgage Corp., Federal National Mortgage Association and Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments		
Investments in securities, at value (cost $282,349,819)	$	274,525,834
Investments in Cash Management QP Trust, (cost $21,999,006)		21,999,006
Total investments in securities at value, (Cost $304,348,825)		296,524,840
Cash		10,000
Receivable for investments sold		43,747,189
Interest receivable		1,188,635
Receivable for daily variation margin on open futures contracts		107,817
Receivable for Portfolio shares sold		6,377
Other assets		4,252
Total assets		341,589,110
Liabilities		
Payable for investments purchased		26,595,719
Payable for when issued and forward delivery securities		7,647,702
Payable for investments purchased — mortgage dollar rolls		54,366,474
Payable for Portfolio shares redeemed		155,654
Accrued management fee		116,295
Other accrued expenses and payables		103,451
Total liabilities		88,985,295
Net assets, at value	**$**	**252,603,815**
Net Assets		
Net assets consist of:		
Undistributed net investment income		5,672,095
Net unrealized appreciation (depreciation) on:		
Investments		(7,823,985)
Futures		97,315
Accumulated net realized gain (loss)		(2,422,873)
Paid-in capital		257,081,263
Net assets, at value	**$**	**252,603,815**
Class A		
Net Asset Value, offering and redemption price per share ($217,391,808 ÷ 18,559,230 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.71**
Class B		
Net Asset Value, offering and redemption price per share ($35,212,007 ÷ 3,007,945 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.71**

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Interest	$	6,339,931
Interest — Cash Management QP Trust		515,308
Total Income		6,855,239
Expenses:		
Management fee		738,735
Custodian fees		10,737
Distribution service fees (Class B)		51,515
Record keeping fees (Class B)		28,004
Auditing		28,874
Legal		8,476
Trustees' fees and expenses		9,683
Reports to shareholders		36,200
Other		53,672
Total expenses before expense reductions		965,896
Expense reductions		(3,420)
Total expenses after expense reductions		962,476
Net investment income		**5,892,763**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(2,305,042)
Futures		(1,510)
		(2,306,552)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(5,509,937)
Futures		38,497
		(5,471,440)
Net gain (loss) on investment transactions		**(7,777,992)**
Net increase (decrease) in net assets resulting from operations	**$**	**(1,885,229)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income	$ 5,892,763	$ 12,794,240
Net realized gain (loss) on investment transactions	(2,306,552)	(786,212)
Net unrealized appreciation (depreciation) during the period on investment transactions	(5,471,440)	(4,324,240)
Net increase (decrease) in net assets resulting from operations	(1,885,229)	7,683,788
Distributions to shareholders from:		
Net investment income:		
Class A	(8,821,928)	(10,824,223)
Class B	(1,559,664)	(1,736,774)
Net realized gains:		
Class A	—	(2,099,899)
Class B	—	(374,454)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,624,551	24,046,411
Reinvestment of distributions	8,821,928	12,924,122
Cost of shares redeemed	(30,155,023)	(67,354,142)
Net increase (decrease) in net assets from Class A share transactions	(15,708,544)	(30,383,609)
Class B		
Proceeds from shares sold	1,351,735	3,998,526
Reinvestment of distributions	1,559,664	2,111,228
Cost of shares redeemed	(12,731,868)	(7,544,629)
Net increase (decrease) in net assets from Class B share transactions	(9,820,469)	(1,434,875)
Increase (decrease) in net assets	(37,795,834)	(39,170,046)
Net assets at beginning of period	290,399,649	329,569,695
Net assets at end of period (including undistributed net investment income of $5,672,095 and $10,160,924, respectively)	**$ 252,603,815**	**$ 290,399,649**

Other Information		
Class A		
Shares outstanding at beginning of period	19,851,802	22,309,252
Shares sold	470,254	1,970,071
Shares issued to shareholders in reinvestment of distributions	749,527	1,082,422
Shares redeemed	(2,512,353)	(5,509,943)
Net increase (decrease) in Class A shares	(1,292,572)	(2,457,450)
Shares outstanding at end of period	**18,559,230**	**19,851,802**
Class B		
Shares outstanding at beginning of period	3,838,802	3,952,379
Shares sold	112,864	326,302
Shares issued to shareholders in reinvestment of distributions	132,399	176,820
Shares redeemed	(1,076,120)	(616,699)
Net increase (decrease) in Class B shares	(830,857)	(113,577)
Shares outstanding at end of period	**3,007,945**	**3,838,802**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$12.26**	**$12.55**	**$12.54**	**$12.84**	**$12.32**	**$11.96**
Income (loss) from investment operations:						
Net investment income[b]	.26	.51	.44	.31	.62	.61
Net realized and unrealized gain (loss) on investment transactions	(.34)	(.20)	.03	(.04)	.35	.25
Total from investment operations	(.08)	.31	.47	.27	.97	.86
Less distributions from:						
Net investment income	(.47)	(.50)	(.35)	(.35)	(.45)	(.50)
Net realized gain on investment transactions	—	(.10)	(.11)	(.22)	—	—
Total distributions	(.47)	(.60)	(.46)	(.57)	(.45)	(.50)
Net asset value, end of period	**$11.71**	**$12.26**	**$12.55**	**$12.54**	**$12.84**	**$12.32**
Total Return (%)	(.67)**	2.57	3.75[d]	2.26	8.05	7.48
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	217	243	280	347	551	305
Ratio of expenses (%)	.66*	.63	.61	.61	.59	.60
Ratio of net investment income (%)	4.44*	4.17	3.59	2.50	4.96	5.06
Portfolio turnover rate (%)	168[c]*	191[c]	226[c]	511[c]	534[c]	334

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The portfolio turnover rate including mortgage dollar roll transactions was 326%, 325%, 391%, 536% and 651% for the periods ended June 30, 2006, December 31, 2005, December 31, 2004, December 31, 2003 and December 31, 2002, respectively.*

d *Reimbursement of $2,420 due to disposal of investments in violation of restrictions had no effect on total return.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$12.23**	**$12.52**	**$12.51**	**$12.82**	**$12.36**
Income (loss) from investment operations:					
Net investment income[c]	.24	.47	.40	.27	.31
Net realized and unrealized gain (loss) on investment transactions	(.34)	(.21)	.02	(.04)	.15
Total from investment operations	(.10)	.26	.42	.23	.46
Less distributions from:					
Net investment income	(.42)	(.45)	(.30)	(.32)	—
Net realized gain on investment transactions	—	(.10)	(.11)	(.22)	—
Total distributions	(.42)	(.55)	(.41)	(.54)	—
Net asset value, end of period	**$11.71**	**$12.23**	**$12.52**	**$12.51**	**$12.82**
Total Return (%)	(.83)**	2.24	3.36[e]	1.83	3.72**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	35	47	49	38	3
Ratio of expenses (%)	1.04*	1.02	1.00	.98	.84*
Ratio of net investment income (%)	4.06*	3.78	3.21	2.13	4.95*
Portfolio turnover rate (%)	168[d]*	191[d]	226[d]	511[d]	534[d]

a *For the six months ended June 30, 2006 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *The portfolio turnover rate including mortgage dollar roll transactions was 326%, 325%, 391%, 536% and 651% for the periods ended June 30, 2006, December 30, 2005, December 31, 2004, December 31, 2003 and December 31, 2002, respectively.*

e *Reimbursement of $2,420 due to disposal of investments in violation of restrictions had no effect on total return.*

* *Annualized*

** *Not annualized*

Information About Your Portfolio's Expenses

DWS High Income VIP

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The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,033.50	$1,032.80
Expenses Paid per $1,000*	$ 3.63	$ 5.54
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,021.22	$1,019.34
Expenses Paid per $1,000*	$ 3.61	$ 5.51

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS High Income VIP	.72%	1.10%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS High Income VIP

High-yield was one of the best performing areas within the bond market for the six-month period ending June 30, 2006. Despite concerns over rising interest rates, inflation and higher commodity prices, the solid fundamental underpinnings of the market remained in place. Helped by strength in the US economy, high-yield companies generally maintained sound financial positions. Probably the best indication of sound fundamentals in the high-yield market was the continuation of low defaults. In addition, the ratio of rating upgrades to downgrades remained stable.

During this period the Portfolio posted a 3.35% total return (Class A shares, unadjusted for contract charges), underperforming the 3.49% return of its benchmark, the CS First Boston High Yield Index, and outperformed the 2.43% average return of the 457 portfolios in Lipper's High Current Yield Funds. The Portfolio remains ahead of the peer group average over the one-, three-, five- and ten-year periods as of June 30, 2006. We remain focused on adding value by doing fundamental research rather than making broad predictions about sector performance or interest rates. Overweight positions in North Atlantic Trading Co., Dayton Superior Corp., Arco Chemical Co. and emerging market securities such as Argentina, were positive contributors to return. Additionally, our overweight in more defensive securities and slight overweight in lower-rated issues were a plus given the outperformance of both areas. An overweight position in Tembec Industries and an underweight in Calpine (a company which is in default) detracted from results.

The robust economy continues to translate into sound fundamentals for the high-yield market. Still, the low default environment will not last forever, and this means that good security selection is paramount at this point in the cycle.

Gary Sullivan, CFA

Portfolio Manager
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.
Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Additionally, the Portfolio may invest in lower-quality and nonrated securities which present greater risk of loss of principal and interest than higher-quality securities. All of these factors may result in greater share price volatility. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Lipper's High Current Yield Funds category represents funds that aim at a high (relative) current yield from fixed-income securities, have no quality or maturity restrictions and tend to invest in lower-grade debt issues. Performance includes the reinvestment of dividends and capital gains and is no guarantee of future results. Source: Lipper Inc. as of June 30, 2006. Lipper figures represent the average of the total returns reported by all of the mutual funds designated by Lipper Inc. as falling into the category indicated. An investor cannot invest directly in a category.

CS First Boston High Yield Index — An unmanaged index that tracks the performance of high-yield bonds.

Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS High Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Corporate Bonds	84%	80%
Foreign Bonds — US$ Denominated	13%	13%
Loan Participations	1%	1%
Foreign Bonds — Non US$ Denominated	1%	1%
Other Investments	1%	—
Cash Equivalents	—	2%
Asset Backed	—	1%
Convertible Bonds	—	1%
Stocks	—	1%
	100%	100%

Corporate and Foreign Bonds Sector Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/06**	**12/31/05**
Consumer Discretionary	25%	24%
Materials	14%	14%
Financials	13%	15%
Industrials	11%	14%
Energy	10%	8%
Utilities	9%	6%
Telecommunication Services	8%	9%
Information Technology	4%	3%
Consumer Staples	3%	3%
Health Care	2%	3%
Sovereign Bonds	1%	1%
	100%	100%

Asset allocation and corporate and foreign bonds sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 95. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com as of each calendar quarter-end on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS High Income VIP

		Principal Amount ($)(a)	Value ($)
Corporate Bonds 84.6%			
Consumer Discretionary 22.8%			
Affinia Group, Inc., 9.0%, 11/30/2014 (b)		1,080,000	980,100
AMC Entertainment, Inc., 8.0%, 3/1/2014 (b)		1,480,000	1,356,050
Aztar Corp., 7.875%, 6/15/2014		1,830,000	1,935,225
Cablevision Systems Corp., Series B, 9.62%**, 4/1/2009 (b)		350,000	371,000
Caesars Entertainment, Inc., 8.875%, 9/15/2008		725,000	761,250
Charter Communications Holdings LLC:			
8.625%, 4/1/2009 (b)		185,000	142,450
9.625%, 11/15/2009		50,000	38,500
10.25%, 9/15/2010		3,035,000	3,042,587
144A, 10.25%, 9/15/2010		975,000	975,000
11.0%, 10/1/2015		2,967,000	2,596,125
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014 (b)		730,000	575,787
CSC Holdings, Inc.:			
7.25%, 7/15/2008		560,000	560,700
7.875%, 12/15/2007		1,694,000	1,715,175
Dex Media East LLC/Financial, 12.125%, 11/15/2012		5,122,000	5,749,445
Dura Operating Corp., Series B, 8.625%, 4/15/2012 (b)		1,340,000	1,139,000
EchoStar DBS Corp.:			
6.625%, 10/1/2014		185,000	173,900
144A, 7.125%, 2/1/2016		600,000	577,500
Foot Locker, Inc., 8.5%, 1/15/2022		885,000	892,744
Ford Motor Co., 7.45%, 7/16/2031 (b)		545,000	393,763
French Lick Resorts & Casinos, 144A, 10.75%, 4/15/2014		3,105,000	2,973,037
Friendly Ice Cream Corp., 8.375%, 6/15/2012 (b)		385,000	331,100
General Motors Corp.:			
8.25%, 7/15/2023 (b)		1,425,000	1,122,187
8.375%, 7/15/2033 (b)		855,000	688,275
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011		3,135,000	3,440,662
Gregg Appliances, Inc., 9.0%, 2/1/2013		365,000	336,713
Hertz Corp., 144A, 8.875%, 1/1/2014		1,445,000	1,481,125
ION Media Networks, Inc., 144A, 11.318%**, 1/15/2013		610,000	611,525
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		1,795,000	1,694,031
Jacobs Entertainment, Inc., 144A, 9.75%, 6/15/2014		1,165,000	1,170,825
Lear Corp.:			
Series B, 5.75%, 8/1/2014		35,000	28,525
Series B, 8.11%, 5/15/2009 (b)		1,515,000	1,477,125
Levi Strauss & Co., 9.74%**, 4/1/2012 (b)		335,000	340,863
Liberty Media Corp.:			
5.7%, 5/15/2013 (b)		95,000	86,273
8.25%, 2/1/2030 (b)		795,000	760,925
8.5%, 7/15/2029 (b)		965,000	938,532
Linens 'n Things, Inc., 144A, 10.702%**, 1/15/2014 (b)		575,000	544,813
Mediacom Broadband LLC, 8.5%, 10/15/2015		50,000	48,000
Metaldyne Corp.:			
10.0%, 11/1/2013 (b)		470,000	454,725
11.0%, 6/15/2012 (b)		100,000	85,000
MGM MIRAGE:			
8.375%, 2/1/2011 (b)		545,000	558,625
9.75%, 6/1/2007		950,000	976,125
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010		980,000	1,035,125
NCL Corp., 10.625%, 7/15/2014		200,000	196,500
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012		1,670,000	1,352,700
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013 (b)		2,155,000	2,246,587
Pokagon Gaming Authority, 144A, 10.375%, 6/15/2014		275,000	284,281
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012		3,648,000	3,766,560
PRIMEDIA, Inc.:			
8.875%, 5/15/2011 (b)		585,000	561,600
10.545%**, 5/15/2010		1,635,000	1,669,744
Resorts International Hotel & Casino, Inc., 11.5%, 3/15/2009		2,740,000	2,959,200
Rexnord Corp., 10.125%, 12/15/2012		470,000	520,450
Sinclair Broadcast Group, Inc., 8.75%, 12/15/2011		2,370,000	2,476,650
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013 (b)		1,440,000	1,350,000
Six Flags, Inc.:			
8.875%, 2/1/2010		180,000	171,000
9.75%, 4/15/2013 (b)		1,550,000	1,424,062
The Bon-Ton Department Stores, Inc., 144A, 10.25%, 3/15/2014 (b)		585,000	542,588
Toys "R" Us, Inc., 7.375%, 10/15/2018		316,000	223,965
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015 (b)		3,305,000	3,176,931
TRW Automotive, Inc.:			
11.0%, 2/15/2013 (b)		2,720,000	2,971,600
11.75%, 2/15/2013	EUR	485,000	708,738
United Auto Group, Inc., 9.625%, 3/15/2012		2,540,000	2,654,300
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009		395,000	408,331
XM Satellite Radio, Inc., 144A, 9.75%, 5/1/2014 (b)		2,690,000	2,461,350
Young Broadcasting, Inc., 8.75%, 1/15/2014 (b)		3,640,000	3,039,400
			80,326,974
Consumer Staples 3.0%			
Alliance One International, Inc., 11.0%, 5/15/2012		555,000	527,250
Birds Eye Foods, Inc., 11.875%, 11/1/2008		1,253,000	1,276,494
Del Laboratories, Inc., 8.0%, 2/1/2012 (b)		610,000	507,063

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Delhaize America, Inc.:		
8.05%, 4/15/2027	190,000	185,313
9.0%, 4/15/2031	2,680,000	2,938,915
Harry & David Holdings, Inc., 10.231%**, 3/1/2012	600,000	570,000
North Atlantic Trading Co., 9.25%, 3/1/2012	1,365,000	1,098,825
Swift & Co.:		
10.125%, 10/1/2009 (b)	260,000	264,550
12.5%, 1/1/2010 (b)	185,000	184,075
Viskase Co., Inc., 11.5%, 6/15/2011	3,100,000	3,204,625
		10,757,110
Energy 8.3%		
Belden & Blake Corp., 8.75%, 7/15/2012	2,560,000	2,598,400
Chaparral Energy, Inc., 144A, 8.5%, 12/1/2015	1,405,000	1,397,975
Chesapeake Energy Corp.:		
6.25%, 1/15/2018 (b)	620,000	565,750
6.875%, 1/15/2016	1,925,000	1,819,125
7.75%, 1/15/2015	245,000	245,613
Delta Petroleum Corp., 7.0%, 4/1/2015	1,550,000	1,441,500
Dynegy Holdings, Inc.:		
7.625%, 10/15/2026	1,705,000	1,491,875
144A, 8.375%, 5/1/2016	1,190,000	1,172,150
El Paso Production Holding Corp., 7.75%, 6/1/2013	1,075,000	1,083,063
Frontier Oil Corp., 6.625%, 10/1/2011	1,900,000	1,819,250
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	1,625,000	1,625,000
NGC Corp. Capital Trust I, Series B, 8.316%, 6/1/2027 (b)	560,000	478,800
Plains Exploration & Production Co.:		
7.125%, 6/15/2014	710,000	699,350
Series B, 8.75%, 7/1/2012	640,000	670,400
Range Resources Corp., 7.5%, 5/15/2016	270,000	266,625
Southern Natural Gas, 8.875%, 3/15/2010	2,345,000	2,476,913
Stone Energy Corp.:		
6.75%, 12/15/2014	2,565,000	2,574,619
144A, 8.24%**, 7/15/2010	480,000	480,000
Transmeridian Exploration, Inc., 144A, 12.0%, 12/15/2010	800,000	808,000
Williams Companies, Inc.:		
8.125%, 3/15/2012	3,585,000	3,719,437
8.75%, 3/15/2032	1,665,000	1,810,687
		29,244,532
Financials 11.4%		
AAC Group Holding Corp., 144A, 12.75%, 10/1/2012 (PIK) (b)	500,000	500,000
Alamosa Delaware, Inc., 11.0%, 7/31/2010	810,000	886,950
Ashton Woods USA LLC, 9.5%, 10/1/2015	1,485,000	1,314,225
E*TRADE Financial Corp.:		
7.375%, 9/15/2013	550,000	550,000
7.875%, 12/1/2015	410,000	420,250
8.0%, 6/15/2011	890,000	907,800
Ford Motor Credit Co.:		
7.25%, 10/25/2011	3,920,000	3,477,334
7.375%, 10/28/2009	7,895,000	7,299,228
7.875%, 6/15/2010	2,005,000	1,849,596
General Motors Acceptance Corp.:		
6.875%, 9/15/2011	8,395,000	8,010,173
8.0%, 11/1/2031 (b)	4,268,000	4,102,188
H&E Equipment/Finance:		
11.125%, 6/15/2012	685,000	756,439
12.5%, 6/15/2013	375,000	421,388
Ipayment, Inc., 144A, 9.75%, 5/15/2014	510,000	507,450
Poster Financial Group, Inc., 8.75%, 12/1/2011 (b)	1,740,000	1,809,600
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	2,280,000	2,502,300
TIG Capital Holdings Trust, 144A, 8.597%, 1/15/2027	1,700,000	1,283,500
Triad Acquisition Corp., Series B, 11.125%, 5/1/2013	850,000	837,250
Universal City Development, 11.75%, 4/1/2010	2,400,000	2,613,000
		40,048,671
Health Care 1.2%		
HEALTHSOUTH Corp.:		
144A, 10.75%, 6/15/2016	1,225,000	1,200,500
144A, 11.418%**, 6/15/2014	190,000	189,525
Tenet Healthcare Corp., 144A, 9.5%, 2/1/2015	2,905,000	2,854,162
		4,244,187
Industrials 8.8%		
Allied Security Escrow Corp., 11.375%, 7/15/2011	819,000	794,430
Allied Waste North America, Inc., Series B, 9.25%, 9/1/2012	2,055,000	2,178,300
American Color Graphics, 10.0%, 6/15/2010	955,000	680,438
Avondale Mills, Inc., 144A, 11.5%**, 7/1/2012	750,000	772,500
Browning-Ferris Industries:		
7.4%, 9/15/2035	1,625,000	1,446,250
9.25%, 5/1/2021	920,000	933,800
Case New Holland, Inc., 9.25%, 8/1/2011	2,190,000	2,304,975
Cenveo Corp., 7.875%, 12/1/2013 (b)	1,682,000	1,639,950
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	1,910,000	1,876,575
Compression Polymers Corp.:		
144A, 10.5%, 7/1/2013	1,510,000	1,540,200
144A, 11.44%**, 7/1/2012	645,000	657,900
Congoleum Corp., 8.625%, 8/1/2008*	1,200,000	1,188,000
DRS Technologies, Inc., 7.625%, 2/1/2018	875,000	870,625
Education Management LLC, 144A, 8.75%, 6/1/2014	525,000	519,750
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2016 (b)	1,665,000	1,444,387
8.875%, 4/1/2012	1,865,000	1,855,675
Kansas City Southern:		
7.5%, 6/15/2009	395,000	395,000
9.5%, 10/1/2008	2,700,000	2,828,250
Kinetek, Inc., Series D, 10.75%, 11/15/2006 (b)	2,510,000	2,497,450
Millennium America, Inc., 9.25%, 6/15/2008	810,000	830,250
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	180,000	199,350

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Ship Finance International Ltd., 8.5%, 12/15/2013	460,000	437,000
The Brickman Group Ltd., Series B, 11.75%, 12/15/2009	1,545,000	1,660,875
Xerox Capital Trust I, 8.0%, 2/1/2027	560,000	562,100
Xerox Corp., 6.4%, 3/15/2016	1,055,000	995,656
		31,109,686
Information Technology 4.0%		
L-3 Communications Corp.:		
5.875%, 1/15/2015	1,865,000	1,739,112
Series B, 6.375%, 10/15/2015	600,000	573,000
Lucent Technologies, Inc., 6.45%, 3/15/2029	5,000,000	4,250,000
Sanmina-SCI Corp., 8.125%, 3/1/2016	1,415,000	1,379,625
SunGard Data Systems, Inc., 144A, 10.25%, 8/15/2015	1,550,000	1,602,313
UGS Corp., 10.0%, 6/1/2012	1,555,000	1,671,625
Unisys Corp., 7.875%, 4/1/2008 (b)	2,885,000	2,885,000
		14,100,675
Materials 11.7%		
ARCO Chemical Co., 9.8%, 2/1/2020	4,390,000	5,158,250
Associated Materials, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014	485,000	292,213
Chemtura Corp., 6.875%, 6/1/2016	795,000	768,169
Constar International, Inc., 11.0%, 12/1/2012 (b)	255,000	191,250
Crown Cork & Seal Co., Inc., 7.5%, 12/15/2096	495,000	393,525
Crystal US Holdings, Series A, Step-up Coupon 0% to 10/1/2009, 10% to 10/1/2014	455,000	360,588
Dayton Superior Corp.:		
10.75%, 9/15/2008	330,000	334,950
13.0%, 6/15/2009 (b)	1,070,000	933,575
Equistar Chemical Funding, 10.625%, 5/1/2011	1,215,000	1,304,606
Exopac Holding Corp., 144A, 11.25%, 2/1/2014	1,620,000	1,636,200
GEO Specialty Chemicals, Inc., 144A, 13.479%**, 12/31/2009	3,044,000	2,652,085
Greif, Inc., 8.875%, 8/1/2012	830,000	873,575
Hexcel Corp., 6.75%, 2/1/2015	710,000	663,850
Huntsman LLC, 11.625%, 10/15/2010	2,422,000	2,676,310
IMC Global, Inc., 10.875%, 8/1/2013	3,415,000	3,799,187
International Coal Group, Inc., 144A, 10.25%, 7/15/2014	650,000	649,187
International Steel Group, Inc., 6.5%, 4/15/2014	540,000	510,300
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014	1,170,000	836,550
Lyondell Chemical Co., 10.5%, 6/1/2013	335,000	368,500
Massey Energy Co.:		
6.625%, 11/15/2010	1,430,000	1,408,550
6.875%, 12/15/2013	720,000	669,600
Mueller Holdings, Inc., Step-up Coupon, 0% to 4/15/2009, 14.75% to 4/15/2014	2,641,000	2,218,440
Neenah Foundry Co.:		
144A, 11.0%, 9/30/2010	2,992,000	3,231,360
144A, 13.0%, 9/30/2013	732,460	736,122
OM Group, Inc., 9.25%, 12/15/2011 (b)	315,000	324,450
Omnova Solutions, Inc., 11.25%, 6/1/2010	2,785,000	2,952,100
Oregon Steel Mills, Inc., 10.0%, 7/15/2009	650,000	682,500
Oxford Automotive, Inc., 144A, 12.5%, 10/15/2010*	1,970,840	29,563
Pliant Corp., 11.625%, 6/15/2009 (PIK)	11	12
Radnor Holdings Corp., 11.0%, 3/15/2010	490,000	191,100
Rockwood Specialties Group, Inc., 10.625%, 5/15/2011	420,000	448,875
TriMas Corp., 9.875%, 6/15/2012	1,461,000	1,336,815
United States Steel Corp., 9.75%, 5/15/2010	1,579,000	1,681,635
Witco Corp., 6.875%, 2/1/2026	390,000	347,100
Wolverine Tube, Inc., 10.5%, 4/1/2009 (b)	615,000	510,450
		41,171,542
Telecommunication Services 4.9%		
American Cellular Corp., Series B, 10.0%, 8/1/2011	755,000	794,637
Centennial Communications Corp., 10.0%, 1/1/2013	360,000	356,400
Cincinnati Bell, Inc.:		
7.25%, 7/15/2013	2,290,000	2,255,650
8.375%, 1/15/2014 (b)	1,575,000	1,551,375
Dobson Communications Corp., 8.875%, 10/1/2013	695,000	682,837
Insight Midwest LP, 9.75%, 10/1/2009	615,000	627,300
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	4,095,000	4,168,210
PanAmSat Corp., 144A, 9.0%, 6/15/2016	830,000	842,450
Qwest Corp., 7.25%, 9/15/2025	1,370,000	1,280,950
Rural Cellular Corp.:		
9.75%, 1/15/2010 (b)	160,000	159,400
9.875%, 2/1/2010	550,000	565,813
144A, 10.899%**, 11/1/2012 (b)	180,000	184,725
Triton PCS, Inc., 8.5%, 6/1/2013	545,000	500,038
Ubiquitel Operating Co., 9.875%, 3/1/2011	615,000	668,813
US Unwired, Inc., Series B, 10.0%, 6/15/2012	1,075,000	1,193,250
Windstream Corp., 144A, 8.625%, 8/1/2016	1,295,000	1,324,137
		17,155,985
Utilities 8.5%		
AES Corp., 144A, 8.75%, 5/15/2013	5,790,000	6,195,300
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	4,005,000	4,255,313
CMS Energy Corp., 8.5%, 4/15/2011 (b)	3,600,000	3,753,000
Mirant North America LLC, 144A, 7.375%, 12/31/2013	45,000	43,425
Mission Energy Holding Co., 13.5%, 7/15/2008	4,655,000	5,190,325

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
NRG Energy, Inc.:		
7.25%, 2/1/2014	1,610,000	1,569,750
7.375%, 2/1/2016	3,400,000	3,315,000
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	3,730,000	4,028,400
Sierra Pacific Resources:		
6.75%, 8/15/2017	970,000	916,476
8.625%, 3/15/2014	540,000	572,047
		29,839,036
Total Corporate Bonds (Cost $306,859,531)		**297,998,398**

Foreign Bonds — US$ Denominated 13.0%

Consumer Discretionary 1.9%

	Principal Amount ($)(a)	Value ($)
Jafra Cosmetics International, Inc., 10.75%, 5/15/2011	2,825,000	3,029,812
Shaw Communications, Inc., 8.25%, 4/11/2010	655,000	676,288
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014 (b)	2,482,000	2,103,495
Unity Media GmbH, 144A, 10.375%, 2/15/2015	410,000	391,550
Vitro SA de CV, Series A, 144A, 12.75%, 11/1/2013 (b)	445,000	411,625
		6,612,770

Energy 1.1%

	Principal Amount ($)(a)	Value ($)
Gaz Capital SA, 144A, 8.625%, 4/28/2034	500,000	573,750
OAO Gazprom, 144A, 9.625%, 3/1/2013	2,105,000	2,412,856
Secunda International Ltd., 13.068%**, 9/1/2012	890,000	930,050
		3,916,656

Financials 1.6%

	Principal Amount ($)(a)	Value ($)
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010	2,685,000	3,094,463
Doral Financial Corp., 5.91%**, 7/20/2007	2,115,000	2,014,639
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	770,000	631,400
		5,740,502

Health Care 0.7%

	Principal Amount ($)(a)	Value ($)
Biovail Corp., 7.875%, 4/1/2010	2,190,000	**2,217,375**

Industrials 1.6%

	Principal Amount ($)(a)	Value ($)
Grupo Transportacion Ferroviaria Mexicana SA de CV:		
9.375%, 5/1/2012 (b)	1,220,000	1,299,300
10.25%, 6/15/2007	2,815,000	2,899,450
12.5%, 6/15/2012	1,026,000	1,131,165
Stena AB, 9.625%, 12/1/2012	360,000	382,500
Supercanal Holding SA, Series REG S, 11.5%, 5/15/2005*	100,000	16,000
		5,728,415

Materials 2.2%

	Principal Amount ($)(a)	Value ($)
Cascades, Inc., 7.25%, 2/15/2013	1,816,000	1,679,800
ISPAT Inland ULC, 9.75%, 4/1/2014	1,820,000	2,006,550
Novelis, Inc., 144A, 7.25%, 2/15/2015	1,610,000	1,545,600
Rhodia SA, 8.875%, 6/1/2011	1,786,000	1,779,302
Tembec Industries, Inc., 8.625%, 6/30/2009	1,500,000	821,250
		7,832,502

Sovereign Bonds 0.8%

	Principal Amount ($)(a)	Value ($)
Federative Republic of Brazil, 8.875%, 10/14/2019 (b)	750,000	835,500
Republic of Argentina, 4.889%**, 8/3/2012 (PIK)	1,125,000	910,431
United Mexican States, 5.625%, 1/15/2017 (b)	1,008,000	937,440
		2,683,371

Telecommunication Services 3.1%

	Principal Amount ($)(a)	Value ($)
Cell C Property Ltd., 144A, 11.0%, 7/1/2015 (b)	1,850,000	1,544,750
Embratel, Series B, 11.0%, 12/15/2008 (b)	222,000	241,980
Grupo Iusacell SA de CV, Series B, 10.0%, 7/15/2004*	285,000	247,950
Intelsat Bermuda Ltd., 144A, 11.25%, 6/15/2016	690,000	707,250
Intelsat Ltd., 5.25%, 11/1/2008	895,000	841,300
Millicom International Cellular SA, 10.0%, 12/1/2013	170,000	189,550
Mobifon Holdings BV, 12.5%, 7/31/2010	2,251,000	2,549,257
Nortel Networks Ltd.:		
144A, 9.73%**, 7/15/2011	1,790,000	1,821,325
144A, 10.125%, 7/15/2013	805,000	819,087
144A, 10.75%, 7/15/2016	695,000	707,163
Stratos Global Corp., 144A, 9.875%, 2/15/2013	1,290,000	1,212,600
		10,882,212
Total Foreign Bonds — US$ Denominated (Cost $46,849,507)		**45,613,803**

Foreign Bonds — Non US$ Denominated 0.8%

Consumer Discretionary 0.3%

		Principal Amount ($)(a)	Value ($)
Unity Media GmbH, 144A, 8.75%, 2/15/2015	EUR	1,095,000	**1,267,507**

Sovereign Bonds 0.5%

		Principal Amount ($)(a)	Value ($)
Republic of Argentina, 7.82%, 12/31/2033 (PIK)	EUR	1,521,318	**1,627,698**
Total Foreign Bonds — Non US$ Denominated (Cost $2,990,809)			**2,895,205**

	Shares	Value ($)

Preferred Stock 0.0%

	Shares	Value ($)
ION Media Networks, Inc., 14.25% (PIK) (Cost $9,006)	1	**7,777**

Loan Participation 1.7%

	Principal Amount ($)(a)	Value ($)
Alliance Mortgage Cycle Loan, LIBOR plus 7.25, 12.56%**, 6/4/2010	725,000	725,000
Nortel Networks Corp., LIBOR plus 3.25, 8.878%**, 2/15/2007	5,060,000	5,056,837
Total Loan Participation (Cost $5,785,000)		**5,781,837**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Warrants 0.0%		
Dayton Superior Corp. 144A*	95	0
DeCrane Aircraft Holdings, Inc. 144A*	1,350	0
TravelCenters of America, Inc.*	345	43
XO Holdings, Inc. Series C*	1	0
Total Warrants (Cost $1,409)		**43**

	Units	Value ($)
Other Investments 0.6%		
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029	1,100,000	891,000
IdleAire Technologies Corp. (Bond Unit), 144A, Step-up Coupon, 0% to 6/15/2008, 13.0% to 12/15/2012	1,735,000	1,301,250
Total Other Investments (Cost $2,206,398)		**2,192,250**

	Shares	Value ($)
Common Stocks 0.0%		
GEO Specialty Chemicals, Inc. 144A*	2,206	1,103
GEO Specialty Chemicals, Inc.*	24,225	12,113
IMPSAT Fiber Networks, Inc.*	13,327	112,613
Total Common Stocks (Cost $1,058,657)		**125,829**
Convertible Preferred Stocks 0.1%		
Consumer Discretionary		
ION Media Networks, Inc.:		
144A, 9.75%, (PIK)	59	411,525
144A, Series AI, 9.75%(PIK)	6	41,850
Total Convertible Preferred Stocks (Cost $455,025)		**453,375**
Securities Lending Collateral 9.8%		
Daily Assets Fund Institutional, 5.1% (c) (d) (Cost $34,663,826)	34,663,826	**34,663,826**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $400,879,168)†	110.6	**389,732,343**
Other Assets and Liabilities, Net	(10.6)	**(37,329,833)**
Net Assets	100.0	**352,402,510**

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or the interest or has filed for bankruptcy. The following table represents bonds that are in default:*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	1,200,000	USD	1,094,007	1,188,000
Grupo Iusacell SA de CV	10.0%	7/15/2004	285,000	USD	182,087	247,950
Oxford Automotive, Inc.	12.5%	10/15/2010	1,970,840	USD	1,530,104	29,563
SuperCanal Holdings SA	11.5%	5/15/2005	100,000	USD	10,000	16,000
					2,816,198	**1,481,513**

** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2006.*

† *The cost for federal income tax purposes was $400,925,267. At June 30, 2006, net unrealized depreciation for all securities based on tax cost was $11,192,924. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,105,941 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $13,298,865.*

(a) *Principal amount stated in US dollars unless otherwise noted.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $34,266,363 which is 9.7% of net assets.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

LIBOR: Represents the London InterBank Offered Rate.

PIK: Denotes that all or a portion of the income is paid in-kind.

As of June 30, 2006 the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
USD	980,373	EUR	769,403	9/15/2006	8,794
EUR	155,434	USD	200,155	9/15/2006	325
EUR	65,529	USD	84,899	9/15/2006	653
EUR	3,568,600	USD	4,609,025	9/15/2006	21,129
Total unrealized appreciation					**30,901**

Currency Abbreviation			
EUR	Euro	USD	US Dollar

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $366,215,342) — including $34,266,363 of securities loaned	$	355,068,517
Investment in Daily Assets Fund Institutional (cost $34,663,826)*		34,663,826
Total investments in securities, at value (cost $400,879,168)		389,732,343
Foreign currency, at value (cost $4,553)		4,557
Receivable for investments sold		7,878,449
Interest receivable		7,776,452
Receivable for Portfolio shares sold		14,469
Unrealized appreciation on forward foreign currency exchange contracts		30,901
Net receivable on closed forward foreign currency exchange contracts		17,261
Dividends receivable		7,025
Other assets		3,932
Total assets		405,465,389
Liabilities		
Due to custodian		41,256
Payable for investments purchased		9,723,135
Payable for Portfolio shares redeemed		282,263
Payable upon return of securities loaned		34,663,826
Note payable		8,000,000
Accrued management fee		180,582
Other accrued expenses and payables		171,817
Total liabilities		53,062,879
Net assets, at value	**$**	**352,402,510**
Net Assets		
Net assets consist of:		
Undistributed net investment income		14,827,976
Net unrealized appreciation (depreciation) on:		
Investments		(11,146,825)
Foreign currency related transactions		55,300
Accumulated net realized gain (loss)		(116,354,013)
Paid-in capital		465,020,072
Net assets, at value	**$**	**352,402,510**
Class A		
Net Asset Value, offering and redemption price per share ($301,635,472 ÷ 38,468,587 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.84**
Class B		
Net Asset Value, offering and redemption price per share ($50,767,038 ÷ 6,461,314 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.86**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income		
Dividends	$	14,050
Interest		16,616,884
Interest — Cash Management QP Trust		157,132
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		78,583
Total Income		16,866,649
Expenses:		
Management fee		1,156,822
Custodian fees		15,754
Distribution service fees (Class B)		67,588
Record keeping fees (Class B)		35,797
Auditing		28,685
Legal		7,805
Trustees' fees and expenses		16,030
Reports to shareholders		103,448
Interest expense		42,343
Other		21,789
Total expenses before expense reductions		1,496,061
Expense reductions		(5,809)
Total expenses after expense reductions		1,490,252
Net investment income		**15,376,397**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(3,662,345)
Foreign currency related transactions		(500,904)
		(4,163,249)
Net unrealized appreciation (depreciation) during the period on:		
Investments		1,798,554
Foreign currency related transactions		100,443
		1,898,997
Net gain (loss) on investment transactions		**(2,264,252)**
Net increase (decrease) in net assets resulting from operations	**$**	**13,112,145**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income	$ 15,376,397	$ 33,801,550
Net realized gain (loss) on investment transactions	(4,163,249)	1,281,093
Net unrealized appreciation (depreciation) on investment transactions during the period	1,898,997	(19,453,613)
Net increase (decrease) in net assets resulting from operations	13,112,145	15,629,030
Distributions to shareholders from:		
Net investment income:		
Class A	(26,233,542)	(33,565,659)
Class B	(4,096,501)	(5,270,980)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	15,464,649	75,871,095
Reinvestment of distributions	26,233,542	33,565,659
Cost of shares redeemed	(68,781,865)	(139,459,552)
Net increase (decrease) in net assets from Class A share transactions	(27,083,674)	(30,022,798)
Class B		
Proceeds from shares sold	4,761,635	14,544,739
Reinvestment of distributions	4,096,501	5,270,980
Cost of shares redeemed	(11,391,339)	(17,547,469)
Net increase (decrease) in net assets from Class B share transactions	(2,533,203)	2,268,250
Increase (decrease) in net assets	(46,834,775)	(50,962,157)
Net assets at beginning of period	399,237,285	450,199,442
Net assets at end of period (including undistributed net investment income of $14,827,976 and $29,781,622, respectively)	**$ 352,402,510**	**$ 399,237,285**

Other Information		
Class A		
Shares outstanding at beginning of period	41,769,600	44,826,321
Shares sold	1,901,811	9,379,235
Shares issued to shareholders in reinvestment of distributions	3,376,260	4,275,880
Shares redeemed	(8,579,084)	(16,711,836)
Net increase (decrease) in Class A shares	(3,301,013)	(3,056,721)
Shares outstanding at end of period	**38,468,587**	**41,769,600**
Class B		
Shares outstanding at beginning of period	6,770,189	6,474,194
Shares sold	578,075	1,758,405
Shares issued to shareholders in reinvestment of distributions	525,192	669,756
Shares redeemed	(1,412,142)	(2,132,166)
Net increase (decrease) in Class B shares	(308,875)	295,995
Shares outstanding at end of period	**6,461,314**	**6,770,189**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.23**	**$ 8.78**	**$ 8.43**	**$ 7.40**	**$ 8.13**	**$ 9.16**
Income (loss) from investment operations:						
Net investment income[b]	.32	.68	.67	.67	.75	.84
Net realized and unrealized gain (loss) on investment transactions	(.05)	(.38)	.31	1.03	(.74)	(.59)
Total from investment operations	.27	.30	.98	1.70	.01	.25
Less distributions from:						
Net investment income	(.66)	(.85)	(.63)	(.67)	(.74)	(1.28)
Net asset value, end of period	**$ 7.84**	**$ 8.23**	**$ 8.78**	**$ 8.43**	**$ 7.40**	**$ 8.13**
Total Return (%)	3.35**	3.89	12.42	24.62	(.30)	2.63
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	302	344	393	413	329	335
Ratio of expenses (%)[c]	.70*	.70	.66	.67	.66	.70
Ratio of net investment income (%)	8.03*	8.27	8.11	8.62	10.07	9.89
Portfolio turnover rate (%)	127*	100	162	165	138	77

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The expense ratio including interest expense is .72% for the period ended June 30, 2006 and .70%, .66%, .67%, .66% and .70% for the years ended December 31, 2005, December 31, 2004, December 31, 2003, December 31, 2002 and December 31, 2001, respectively.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$ 8.22**	**$ 8.77**	**$ 8.41**	**$ 7.39**	**$ 7.21**
Income (loss) from investment operations:					
Net investment income[c]	.31	.65	.64	.64	.31
Net realized and unrealized gain (loss) on investment transactions	(.04)	(.39)	.32	1.03	(.13)
Total from investment operations	.27	.26	.96	1.67	.18
Less distributions from:					
Net investment income	(.63)	(.81)	(.60)	(.65)	—
Net asset value, end of period	**$ 7.86**	**$ 8.22**	**$ 8.77**	**$ 8.41**	**$ 7.39**
Total Return (%)	3.28**	3.41	12.08	24.14	2.50**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	51	56	57	37	1
Ratio of expenses (%)[d]	1.08*	1.10	1.06	1.06	.92*
Ratio of net investment income (%)	7.65*	7.87	7.71	8.23	8.78*
Portfolio turnover rate (%)	127*	100	162	165	138

a *For the six months ended June 30, 2006 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *The expense ratio including interest expense is 1.10% for the period ended June 30, 2006 and 1.10%, 1.06%, 1.06% and .92% for the years ended December 31, 2005, December 31, 2004, December 31, 2003, December 31, 2003 and December 31, 2002, respectively.*

* *Annualized*

** *Not annualized*

Information About Your Portfolio's Expenses

DWS International Select Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,096.30	$1,093.70
Expenses Paid per $1,000*	$ 4.42	$ 6.33
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.58	$1,018.74
Expenses Paid per $1,000*	$ 4.26	$ 6.11

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS International Select Equity VIP	.85%	1.22%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS International Select Equity VIP

During the first half of 2006, international equities, as measured by the MSCI EAFE index, delivered a return of 10.16% in US dollar terms. While performance was robust through the end of April, a sharp increase in investors' aversion to risk led to a downturn in the final two months of the period. The leading cause for the market's decline was the worldwide central bank tightening — most notably in the US and Europe — that has resulted from rising inflationary pressures in the major global economies. With this as the backdrop, the Class A shares (unadjusted for contract charges) of the Portfolio gained 9.63%, trailing the return of the MSCI EAFE index for the first half of 2006.

The Portfolio's return was primarily supported by stock selection in energy, health care and utilities. Within the energy sector, the Portfolio's positions in OAO Gazprom, Norsk Hydro Asa and Petroleo Brasiliero SA ("Petrobras") were all beneficiaries of the elevated pricing for oil and gas, the result of continued supply-demand imbalances and infrastructure limitations. The Portfolio further benefited from an overweight in large-cap defensive names in the health care sector, including Fresenius Medical AG, GlaxoSmithKline PLC and AstraZeneca PLC. Lastly, our performance in the utilities sector was bolstered by a position in Fortum oyj — Finland's largest utility — which delivered strong operating results stemming from its increased pricing power for electricity.

The aforementioned advances were not enough to offset the detracting effect of financials and industrials. Within the financials sector, Japanese banks including Credit Saison Co., Ltd., Mitsubishi UFJ Financial Group. Inc. and Nishi-Nippon City Bank Ltd. were a drag on relative results, while in the industrials sector, Japan's Mitsubishi Corp. was the primary laggard.

Matthias Knerr, CFA

Portfolio Manager
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index is an unmanaged, capitalization-weighted index that tracks international stock performance in the 21 developed markets of Europe , Australasia and the Far East. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS International Select Equity VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	96%	99%
Preferred Stocks	3%	1%
Cash Equivalents	1%	—
	100%	100%

Geographical Diversification (As a % of Common and Preferred Stocks)	**6/30/06**	**12/31/05**
Continental Europe	54%	48%
Japan	21%	23%
United Kingdom	16%	17%
Latin America	6%	3%
Asia (excluding Japan)	3%	6%
Australia	—	3%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/06**	**12/31/05**
Financials	33%	30%
Industrials	13%	10%
Energy	12%	11%
Health Care	9%	9%
Consumer Discretionary	9%	17%
Materials	8%	8%
Information Technology	7%	6%
Consumer Staples	4%	6%
Utilities	4%	2%
Telecommunications Services	1%	1%
	100%	100%

Asset allocation, geographical diversification and sector diversifications are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 106. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS International Select Equity VIP

	Shares	Value ($)
Common Stocks 94.3%		
Belgium 2.2%		
Umicore (Cost $5,769,857)	44,100	**5,888,799**
Brazil 3.5%		
Gol-Linhas Aereas Inteligentes SA (ADR) (Preferred) (a)	131,700	4,675,350
Petroleo Brasileiro SA (ADR)	55,900	4,992,429
(Cost $6,617,911)		**9,667,779**
Finland 4.5%		
Fortum Oyj	200,000	5,116,201
Nokia Oyj	190,700	3,892,882
Nokian Renkaat Oyj (a)	239,000	3,142,525
(Cost $9,980,022)		**12,151,608**
France 8.2%		
Schneider Electric SA	51,654	5,384,548
Societe Generale	66,198	9,737,117
Total SA	107,837	7,096,445
(Cost $16,735,315)		**22,218,110**
Germany 11.1%		
Bayer AG	128,401	5,902,475
Commerzbank AG	172,880	6,288,717
E.ON AG	44,192	5,088,272
Fresenius Medical Care AG & Co.	29,953	3,443,428
Hypo Real Estate Holding AG	158,227	9,611,041
(Cost $20,773,942)		**30,333,933**
India 1.1%		
ICICI Bank Ltd. (Cost $3,945,926)	287,100	**3,069,763**
Ireland 3.6%		
Anglo Irish Bank Corp. PLC	320,497	5,001,168
CRH PLC	149,158	4,849,643
(Cost $6,927,512)		**9,850,811**
Italy 7.8%		
Banca Intesa SpA	990,400	5,801,814
Banca Italease	130,000	6,516,378
Capitalia SpA	613,300	5,032,193
Saras SpA Raffinerie Sarde*	602,937	3,863,646
(Cost $17,992,195)		**21,214,031**
Japan 20.3%		
AEON Co., Ltd.	218,600	4,794,530
Canon, Inc.	138,300	6,779,649
Credit Saison Co., Ltd.	97,400	4,612,967
Daito Trust Construction Co., Ltd.	71,700	3,972,195
Makita Corp.	93,000	2,941,804
Mitsubishi Corp.	347,400	6,936,464
Mitsubishi UFJ Financial Group, Inc.	527	7,368,053
Mitsui Fudosan Co., Ltd.	261,000	5,667,468
Nidec Corp.	39,000	2,794,477
Nishi-Nippon City Bank Ltd.	857,000	4,103,775
Sega Sammy Holdings, Inc.	137,900	5,109,193
Yamaha Motor Co., Ltd.	5,000	130,636
(Cost $43,098,609)		**55,211,211**
Korea 1.7%		
Samsung Electronics Co., Ltd. (GDR), 144A (Cost $3,183,780)	14,390	**4,522,058**
Mexico 2.0%		
Fomento Economico Mexicano SA de CV (ADR) (Cost $4,475,683)	65,400	**5,475,288**
Norway 3.9%		
Aker Kvaerner ASA	30,700	2,880,175
Norsk Hydro ASA (a)	293,750	7,786,269
(Cost $10,072,691)		**10,666,444**
Russia 2.4%		
Novolipetsk Steel (GDR) 144A*	127,848	2,870,188
OAO Gazprom (ADR) (REG S)	90,786	3,817,551
(Cost $4,586,955)		**6,687,739**
Sweden 3.2%		
Assa Abloy AB “B”	261,400	4,394,956
Atlas Copco AB “B”	166,500	4,326,328
(Cost $8,922,542)		**8,721,284**
Switzerland 2.5%		
Roche Holding AG (Genusschein) (Cost $3,308,056)	41,094	**6,793,258**
Turkey 1.3%		
Turkcell Iletisim Hizmetleri AS (ADR) (Cost $4,159,381)	296,751	**3,519,466**
United Kingdom 15.0%		
AstraZeneca PLC	53,865	3,251,180
GlaxoSmithKline PLC	287,210	8,025,059
Kensington Group PLC	263,820	5,024,920
Prudential PLC	433,238	4,894,992
Rio Tinto PLC	98,661	5,216,075
Rolls-Royce Group PLC*	680,062	5,206,346
Royal Bank of Scotland Group PLC	136,201	4,478,125
Whitbread PLC	214,819	4,631,860
(Cost $35,520,682)		**40,728,557**
Total Common Stocks (Cost $206,071,059)		**256,720,139**
Preferred Stocks 2.6%		
Germany		
Fresenius AG	20,031	3,337,091
Porsche AG	3,992	3,858,939
Total Preferred Stocks (Cost $6,763,924)		**7,196,030**
Securities Lending Collateral 4.4%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $11,858,396)	11,858,396	**11,858,396**
Cash Equivalents 1.0%		
Cash Management QP Trust, 5.07% (d) (Cost $2,838,243)	2,838,243	**2,838,243**

The accompanying notes are an integral part of the financial statements.

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $227,531,622)†	102.3	**278,612,808**
Other Assets and Liabilities, Net	(2.3)	**(6,341,342)**
Net Assets	100.0	**272,271,466**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $231,979,324. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $46,633,484. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $51,406,534 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,773,050.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $11,324,251 which is 4.2% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $212,834,983) — including $11,324,251 of securities loaned	$	263,916,169
Investment in Daily Assets Fund Institutional (cost $11,858,396)*		11,858,396
Investment in Cash Management QP Trust (cost $2,838,243)		2,838,243
Total investments in securities, at value (cost $227,531,622)		278,612,808
Cash		748,697
Foreign currency, at value (cost $928,985)		909,253
Receivable for investments sold		5,176,561
Dividends receivable		1,238,302
Interest receivable		40,336
Receivable for Portfolio shares sold		15,508
Foreign taxes recoverable		142,654
Other assets		3,977
Total assets		286,888,096
Liabilities		
Payable for investments purchased		2,440,411
Payable for Portfolio shares redeemed		81,553
Payable upon return of securities loaned		11,858,396
Accrued management fee		173,542
Other accrued expenses and payables		62,728
Total liabilities		14,616,630
Net assets, at value	**$**	**272,271,466**
Net Assets		
Net assets consist of:		
Undistributed net investment income		154,795
Net unrealized appreciation (depreciation) on:		
Investments		51,081,186
Foreign currency related transactions		(32,385)
Accumulated net realized gain (loss)		2,295,199
Paid-in capital		218,772,671
Net assets, at value	**$**	**272,271,466**
Class A		
Net Asset Value, offering and redemption price per share ($205,084,567 ÷ 14,406,752 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.24**
Class B		
Net Asset Value, offering and redemption price per share ($67,186,899 ÷ 4,723,489 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.22**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $567,691)	$	5,480,184
Interest		65
Interest — Cash Management QP Trust		76,698
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		294,575
Total Income		5,851,522
Expenses:		
Management fee		1,045,525
Custodian fees		61,235
Distribution service fees (Class B)		84,855
Record keeping fees (Class B)		41,847
Auditing		28,995
Legal		7,670
Trustees' fees and expenses		6,205
Reports to shareholders		18,760
Other		17,100
Total expenses before expense reductions		1,312,192
Expense reductions		(3,018)
Total expenses after expense reductions		1,309,174
Net investment income (loss)		**4,542,348**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments (net of foreign taxes of $5,994)		25,041,737
Foreign currency related transactions		(68,222)
		24,973,515
Net unrealized appreciation (depreciation) during the period on:		
Investments		(4,774,568)
Foreign currency related transactions		(38,837)
		(4,813,405)
Net gain (loss) on investment transactions		**20,160,110**
Net increase (decrease) in net assets resulting from operations	**$**	**24,702,458**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 4,542,348	$ 3,609,139
Net realized gain (loss) on investment transactions	24,973,515	26,472,017
Net unrealized appreciation (depreciation) during the period on investment transactions	(4,813,405)	3,296,964
Net increase (decrease) in net assets resulting from operations	24,702,458	33,378,120
Distributions to shareholders from:		
Net investment income:		
Class A	(4,319,400)	(5,238,343)
Class B	(1,106,261)	(1,218,036)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	12,106,913	24,909,113
Reinvestment of distributions	4,319,400	5,238,343
Cost of shares redeemed	(21,650,859)	(38,838,821)
Net increase (decrease) in net assets from Class A share transactions	(5,224,546)	(8,691,365)
Class B		
Proceeds from shares sold	4,546,700	13,931,982
Reinvestment of distributions	1,106,261	1,218,036
Cost of shares redeemed	(5,660,779)	(5,723,561)
Net increase (decrease) in net assets from Class B share transactions	(7,818)	9,426,457
Increase (decrease) in net assets	14,044,433	27,656,833
Net assets at beginning of period	258,227,033	230,570,200
Net assets at end of period (including undistributed net investment income of $154,795 and $1,038,108, respectively)	**$ 272,271,466**	**$ 258,227,033**

Other Information		
Class A		
Shares outstanding at beginning of period	14,778,650	15,442,740
Shares sold	854,288	2,084,048
Shares issued to shareholders in reinvestment of distributions	298,301	457,897
Shares redeemed	(1,524,487)	(3,206,035)
Net increase (decrease) in Class A shares	(371,898)	(664,090)
Shares outstanding at end of period	**14,406,752**	**14,778,650**
Class B		
Shares outstanding at beginning of period	4,725,198	3,923,204
Shares sold	316,517	1,162,087
Shares issued to shareholders in reinvestment of distributions	76,399	106,471
Shares redeemed	(394,625)	(466,564)
Net increase (decrease) in Class B shares	(1,709)	801,994
Shares outstanding at end of period	**4,732,489**	**4,725,198**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$13.25**	**$11.91**	**$10.18**	**$ 7.96**	**$ 9.24**	**$14.73**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.24	.20	.17	.10	.12	.05
Net realized and unrealized gain (loss) on investment transactions	1.04	1.48	1.67	2.23	(1.36)	(3.46)
Total from investment operations	1.28	1.68	1.84	2.33	(1.24)	(3.41)
Less distributions from:						
Net investment income	(.29)	(.34)	(.11)	(.11)	(.04)	(.10)
Net realized gain on investment transactions	—	—	—	—	—	(1.98)
Total distributions	(.29)	(.34)	(.11)	(.11)	(.04)	(2.08)
Net asset value, end of period	**$14.24**	**$13.25**	**$11.91**	**$10.18**	**$ 7.96**	**$ 9.24**
Total Return (%)	9.63**	14.51	18.25	29.83	(13.48)	(24.43)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	205	196	184	147	120	121
Ratio of expenses (%)	.85*	.87	.89	.94	.85	.92
Ratio of net investment income (%)	1.66[c]	1.59	1.58	1.17	1.46	.44
Portfolio turnover rate (%)	105*	93	88	139	190	145

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The ratio for the six months ended June 30, 2006 has not been annualized since the Portfolio believes it would not be appropriate because the Portfolio's dividend income is not earned ratably throughout the fiscal year.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$13.21**	**$11.88**	**$10.15**	**$ 7.94**	**$ 8.98**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.21	.15	.13	.06	.02
Net realized and unrealized gain (loss) on investment transactions	1.03	1.47	1.67	2.24	(1.06)
Total from investment operations	1.24	1.62	1.80	2.30	(1.04)
Less distributions from:					
Net investment income	(.23)	(.29)	(.07)	(.09)	—
Net asset value, end of period	**$14.22**	**$13.21**	**$11.88**	**$10.15**	**$ 7.94**
Total Return (%)	9.37**	14.00	17.84	29.42	(11.58)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	67	62	47	18	.4
Ratio of expenses (%)	1.22*	1.26	1.28	1.33	1.11*
Ratio of net investment income (%)	1.47[d]	1.20	1.19	.78	.54*
Portfolio turnover rate (%)	105*	93	88	139	190

a *For the six months ended June 30, 2006 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *The ratio for the six months ended June 30, 2006 has not been annualized since the Portfolio believes it would not be appropriate because the Portfolio's dividend income is not earned ratably throughout the fiscal year.*

* *Annualized*

** *Not annualized*

Information About Your Portfolio's Expenses

DWS Janus Growth & Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.60	$1,017.70
Expenses Paid per $1,000*	$ 4.21	$ 6.20

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.63	$1,018.65
Expenses Paid per $1,000*	$ 4.21	$ 6.21

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Janus Growth & Income VIP	.84%	1.24%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Janus Growth & Income VIP

DWS Janus Growth & Income VIP returned 2.06% (Class A shares, unadjusted for contract charges) for the six months ended June 30, 2006, outperforming its benchmark, the Russell 1000 Growth Index, which returned –0.93% over the same period.

Yahoo!, Inc. and Aetna, Inc. were the greatest detractors during the period. Yahoo!, Inc. declined due to concerns about the company's long-term growth rate, as well as its competitive positioning versus Google, Inc. Aetna, Inc. came under pressure after the company released its earnings results for the first quarter of 2006. Although Aetna reported results above expectations, the medical loss ratio spiked to 80% versus expectations of 78%. Despite concerns about this, we believe that underlying medical cost trends are decelerating in line with our expectations and faster than commercial pricing.

British Sky Broadcasting PLC and Suncor Energy, Inc. drove performance during the period. British Sky Broadcasting and the Portfolio's other consumer discretionary investments were able to gain ground despite questionable outlooks for advertising and personal spending.

Going forward, we will maintain our strategy of selecting stocks one at a time and staying close to the best ideas generated by the Janus research team.

Minyoung Sohn
Portfolio Manager

Janus Capital Management LLC, Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Janus Growth & Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	95%	89%
Cash Equivalents	3%	3%
Preferred Stocks	2%	2%
Convertible Preferred Stocks	—	6%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/06**	**12/31/05**
Information Technology	27%	28%
Energy	21%	18%
Health Care	14%	15%
Consumer Discretionary	11%	11%
Financials	11%	13%
Industrials	9%	8%
Consumer Staples	7%	7%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 114. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

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DWS Janus Growth & Income VIP

	Shares	Value ($)
Common Stocks 95.3%		
Consumer Discretionary 11.2%		
Hotels Restaurants & Leisure 2.0%		
Four Seasons Hotels Ltd. (a)	32,680	2,007,859
Harrah's Entertainment, Inc.	33,685	2,397,699
		4,405,558
Household Durables 0.5%		
NVR, Inc.* (a)	2,245	**1,102,856**
Internet & Catalog Retail 0.8%		
Amazon.com, Inc.*	46,315	**1,791,464**
Leisure Equipment & Products 1.3%		
Marvel Entertainment, Inc.* (a)	141,887	**2,837,740**
Media 3.7%		
British Sky Broadcasting Group PLC	444,341	4,712,312
Lamar Advertising Co. "A"* (a)	49,205	2,650,181
XM Satellite Radio Holdings, Inc. "A"* (a)	60,000	879,000
		8,241,493
Specialty Retail 2.9%		
Best Buy Co., Inc.	30,030	1,646,845
PETsMART, Inc. (a)	90,380	2,313,728
Tiffany & Co.	81,245	2,682,710
		6,643,283
Consumer Staples 6.6%		
Food & Staples Retailing 0.6%		
Whole Foods Market, Inc.	20,000	**1,292,800**
Food Products 2.6%		
Archer-Daniels-Midland Co.	65,460	2,702,189
Dean Foods Co.*	83,565	3,107,782
		5,809,971
Household Products 2.2%		
Procter & Gamble Co.	90,710	**5,043,476**
Tobacco 1.2%		
Altria Group, Inc.	35,300	**2,592,079**
Energy 18.8%		
Energy Equipment & Services 1.3%		
Halliburton Co.	38,330	**2,844,469**
Oil, Gas & Consumable Fuels 17.5%		
Apache Corp.	20,495	1,398,784
EnCana Corp.	141,118	7,428,451
EOG Resources, Inc.	18,040	1,250,894
ExxonMobil Corp.	157,250	9,647,287
Hess Corp. (a)	69,165	3,655,370
Petro-Canada	82,744	3,925,578
Suncor Energy, Inc.	95,343	7,715,925
Valero Energy Corp.	64,890	4,316,483
		39,338,772
Financials 10.4%		
Commercial Banks 2.8%		
Commerce Bancorp, Inc. (a)	81,535	2,908,354
US Bancorp.	112,657	3,478,848
		6,387,202

	Shares	Value ($)
Diversified Financial Services 5.6%		
Citigroup, Inc.	159,708	7,704,314
JPMorgan Chase & Co.	114,180	4,795,560
		12,499,874
Thrifts & Mortgage Finance 2.0%		
Fannie Mae	92,065	**4,428,326**
Health Care 13.8%		
Biotechnology 3.8%		
Amylin Pharmaceuticals, Inc.* (a)	90,000	4,443,300
Genentech, Inc.*	45,000	3,681,000
Neurocrine Biosciences, Inc.* (a)	32,180	341,108
		8,465,408
Health Care Equipment & Supplies 0.4%		
Align Technology, Inc.* (a)	120,340	**889,312**
Health Care Providers & Services 4.8%		
Aetna, Inc.	115,140	4,597,540
UnitedHealth Group, Inc.	138,580	6,205,612
		10,803,152
Pharmaceuticals 4.8%		
Roche Holding AG (Genusschein)	40,806	6,745,649
Sanofi-Aventis (a)	41,067	4,007,792
		10,753,441
Industrials 9.2%		
Aerospace & Defense 1.9%		
Boeing Co.	52,470	**4,297,818**
Air Freight & Logistics 1.2%		
United Parcel Service, Inc. "B"	31,630	**2,604,098**
Electrical Equipment 1.1%		
Rockwell Automation, Inc. (a)	34,595	**2,491,186**
Industrial Conglomerates 3.7%		
General Electric Co.	249,105	**8,210,501**
Road & Rail 1.3%		
Canadian National Railway Co.	67,354	**2,946,737**
Information Technology 25.3%		
Communications Equipment 2.0%		
Cisco Systems, Inc.*	104,135	2,033,757
Nokia Oyj (ADR)	119,320	2,417,423
		4,451,180
Computers & Peripherals 5.0%		
Apple Computer, Inc.*	40,000	2,284,800
Dell, Inc.*	110,605	2,699,868
EMC Corp.*	407,050	4,465,338
SanDisk Corp.*	35,000	1,784,300
		11,234,306
Internet Software & Services 3.9%		
Google, Inc. "A"*	10,500	4,402,965
Yahoo!, Inc.*	132,345	4,367,385
		8,770,350
Semiconductors & Semiconductor Equipment 9.9%		
Advanced Micro Devices, Inc.*	343,330	8,384,118
NVIDIA Corp.*	60,334	1,284,511

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Samsung Electronics Co., Ltd. (GDR), 144A	25,065	7,876,676
Spansion, Inc. "A"* (a)	132,620	2,113,963
Texas Instruments, Inc.	82,430	2,496,805
		22,156,073
Software 4.5%		
Adobe Systems, Inc.*	31,625	960,135
Electronic Arts, Inc.*	70,480	3,033,459
Microsoft Corp.	119,435	2,782,836
Oracle Corp.*	224,965	3,259,744
		10,036,174
Total Common Stocks (Cost $166,825,174)		**213,369,099**

Preferred Stocks 2.2%

Energy 1.2%

	Shares	Value ($)
Oil, Gas & Consumable Fuels		
Hess Corp., 7.0%	20,700	**2,746,890**

Information Technology 1.0%

	Shares	Value ($)
Semiconductors & Semiconductor Equipment		
Samsung Electronics Co., Ltd.	4,350	**2,122,846**
Total Preferred Stocks (Cost $2,775,467)		**4,869,736**

Securities Lending Collateral 11.7%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $26,295,328)	26,295,328	**26,295,328**

Cash Equivalents 2.9%

	Shares	Value ($)
Cash Management QP Trust, 5.07% (d) (Cost $6,403,032)	6,403,032	**6,403,032**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $202,299,001)†	112.1	**250,937,195**
Other Assets and Liabilities, Net	(12.1)	**(27,038,144)**
Net Assets	100.0	**223,899,051**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $202,689,905. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $48,247,290. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $54,876,669 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,629,379.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $25,754,984 which is 11.5% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

As of June 30, 2006, the Portfolio had the following open foreign forward currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized (Depreciation) ($)
CHF	925,000	USD	716,588	8/10/2006	(43,551)
EUR	200,000	USD	251,181	10/19/2006	(6,494)
CHF	1,355,000	USD	1,112,936	1/11/2007	(18,483)
EUR	1,115,000	USD	1,421,625	1/11/2007	(22,073)
Total net unrealized depreciation					**(90,601)**

Currency Abbreviations

USD	US Dollars	EUR	Euro
CHF	Swiss Frank		

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $169,600,641) — including $25,754,984 of securities loaned	$ 218,238,835
Investments in Daily Asset Fund Institutional, (cost $26,295,328)*	26,295,328
Investment in Cash Management QP Trust (cost $6,403,032)	6,403,032
Total investments in securities, at value (cost $202,299,001)	250,937,195
Foreign currency, at value, (cost $90,882)	90,961
Dividends receivable	182,185
Interest receivable	21,477
Receivable for Portfolio shares sold	39
Foreign taxes recoverable	834
Other assets	2,925
Total assets	251,235,616

Liabilities	
Unrealized depreciation on forward foreign currency exchange contracts	90,601
Payable upon return of securities loaned	26,295,328
Payable for investments purchased	540,165
Payable for Portfolio shares redeemed	210,204
Accrued management fee	128,508
Other accrued expenses and payables	71,759
Total liabilities	27,336,565
Net assets, at value	**$ 223,899,051**

Net Assets	
Net assets consist of:	
Undistributed net investment income	1,018,948
Net unrealized appreciation (depreciation) on:	
Investments	48,638,194
Foreign currency related transactions	(91,988)
Accumulated net realized gain (loss)	(30,057,656)
Paid-in capital	204,391,553
Net assets, at value	**$ 223,899,051**
Class A	
Net Asset Value, offering and redemption price per share ($192,071,807 ÷ 17,138,928 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 11.21**
Class B	
Net Asset Value, offering and redemption price per share ($31,827,244 ÷ 2,855,776 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 11.14**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $45,532)	$ 2,196,504
Interest — Cash Management QP Trust	88,175
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	18,547
Total Income	2,303,226
Expenses:	
Management fee	880,325
Custodian and accounting fees	46,710
Distribution service fees (Class B)	41,556
Record keeping fees (Class B)	23,900
Auditing	23,390
Legal	10,417
Trustees' fees and expenses	6,565
Reports to shareholders	13,000
Other	13,071
Total expenses before expense reductions	1,058,934
Expense reductions	(3,225)
Total expenses after expense reductions	1,055,709
Net investment income (loss)	**1,247,517**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	11,900,993
Foreign currency related transactions	12,344
	11,913,337
Net unrealized appreciation (depreciation) during the period on:	
Investments	(8,355,647)
Foreign currency related transactions	(227,012)
	(8,582,659)
Net gain (loss) on investment transactions	**3,330,678**
Net increase (decrease) in net assets resulting from operations	**$ 4,578,195**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 1,247,517	$ 828,820
Net realized gain (loss) on investment transactions	11,913,337	9,144,683
Net unrealized appreciation (depreciation) during the period on investment transactions	(8,582,659)	14,101,550
Net increase (decrease) in net assets resulting from operations	4,578,195	24,075,053
Distributions to shareholders from:		
Net investment income:		
Class A	(1,244,972)	(419,512)
Class B	(74,570)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,486,684	11,053,339
Reinvestment of distributions	1,244,972	419,512
Cost of shares redeemed	(16,356,157)	(23,499,483)
Net increase (decrease) in net assets from Class A share transactions	(5,624,501)	(12,026,632)
Class B		
Proceeds from shares sold	2,315,805	5,186,158
Reinvestment of distributions	74,570	—
Cost of shares redeemed	(3,428,204)	(3,183,678)
Net increase (decrease) in net assets from Class B share transactions	(1,037,829)	2,002,480
Increase (decrease) in net assets	(3,403,677)	13,631,389
Net assets at beginning of period	227,302,728	213,671,339
Net assets at end of period (including undistributed net investment income of $1,018,948 and $1,090,973, respectively)	**$ 223,899,051**	**$ 227,302,728**

Other Information		
Class A		
Shares outstanding at beginning of period	17,645,394	18,888,001
Shares sold	823,688	1,050,942
Shares issued to shareholders in reinvestment of distributions	107,325	43,249
Shares redeemed	(1,437,479)	(2,336,798)
Net increase (decrease) in Class A shares	(506,466)	(1,242,607)
Shares outstanding at end of period	**17,138,928**	**17,645,394**
Class B		
Shares outstanding at beginning of period	2,946,169	2,758,937
Shares sold	202,179	500,557
Shares issued to shareholders in reinvestment of distributions	6,456	—
Shares redeemed	(299,028)	(313,325)
Net increase (decrease) in Class B shares	(90,393)	187,232
Shares outstanding at end of period	**2,855,776**	**2,946,169**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002***	2001
Selected Per Share Data					**(Restated)**	
Net asset value, beginning of period	**$11.05**	**$ 9.88**	**$ 8.86**	**$ 7.18**	**$ 9.05**	**$10.40**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.06	.05	.03	.03	.04	.08
Net realized and unrealized gain (loss) on investment transactions	.17	1.14	.99	1.71	(1.86)	(1.36)
Total from investment operations	.23	1.19	1.02	1.74	(1.82)	(1.28)
Less distributions from:						
Net investment income	(.07)	(.02)	—	(.06)	(.05)	(.07)
Net asset value, end of period	**$11.21**	**$11.05**	**$ 9.88**	**$ 8.86**	**$ 7.18**	**$ 9.05**
Total Return (%)	2.06**	12.11	11.51	24.37	(20.22)	(12.28)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	192	195	187	189	167	179
Ratio of expenses (%)	.84*	.92	1.06	1.07	1.04	1.05
Ratio of net investment income (loss) (%)	1.12*	.45	.34	.40	.54	.90
Portfolio turnover rate (%)	52*	32	52	46	57	48

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*
*** *Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by $0.03. The total return was also adjusted from –20.56% to –20.22% in accordance with this change.*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]***
Selected Per Share Data					**(Restated)**
Net asset value, beginning of period	**$10.97**	**$ 9.82**	**$ 8.84**	**$ 7.17**	**$ 7.96**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.04	.01	(.01)	.00[d]	.02
Net realized and unrealized gain (loss) on investment transactions	.16	1.14	.99	1.71	(.81)
Total from investment operations	.20	1.15	.98	1.71	(.79)
Less distributions from:					
Net investment income	(.03)	—	—	(.04)	—
Net asset value, end of period	**$11.14**	**$10.97**	**$ 9.82**	**$ 8.84**	**$ 7.17**
Total Return (%)	1.77**	11.71[e]	11.09	23.94	(9.92)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	32	32	27	15	.4
Ratio of expenses before expense reductions (%)	1.24*	1.32	1.44	1.47	1.29*
Ratio of expenses after expense reductions (%)	1.24*	1.30	1.44	1.47	1.29*
Ratio of net investment income (loss) (%)	.72*	.07	(.04)	(.01)	.48*
Portfolio turnover rate (%)	52*	32	52	46	57

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Amount is less than $.005 per share.*
e *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*
*** *Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by $0.03. The total return was also adjusted from –10.30% to –9.92% in accordance with this change.*

Information About Your Portfolio's Expenses

DWS Janus Growth Opportunities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$ 950.20	$ 949.20
Expenses Paid per $1,000*	$ 4.26	$ 6.14

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.43	$1,018.50
Expenses Paid per $1,000*	$ 4.41	$ 6.36

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Janus Growth Opportunities VIP	.88%	1.27%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Janus Growth Opportunities VIP

DWS Janus Growth Opportunities VIP underperformed its benchmark, the Russell 1000 Growth Index, for the six months ended June 30, 2006, returning –4.98% (Class A shares, unadjusted for contract charges) versus –0.93% for the index.

Stock selection in the health care sector accounted for most of the Portfolio's underperformance during the period. UnitedHealth Group, Inc. experienced challenges resulting from the company's integration of Pacific Care Health Systems, the loss of a major subscriber, and profit-taking following strong performance in 2005. Medtronic, Inc. also suffered from short-term concerns on the market's fears of a significant decline in orders for the company's implantable cardioverter defibrillators (ICDs). We slightly trimmed the Portfolio's exposure to both companies, but still believe in their long-term potential.

Poor performance from Expedia, Inc and XM Satellite Radio Holdings, Inc. led to lagging results for the Portfolio's consumer discretionary sector. Expedia faces concerns about the impact increased spending will have on earnings and near-term profitability, so we eliminated the Portfolio's position in the company during the period. Increases in subscriber acquisition costs brought on by problems in the auto industry caused XM to decline during the first quarter, but we remain optimistic about the stock, so we took advantage of its weakness to purchase additional shares.

Though the Portfolio's slight overweight position in the information technology sector pressured relative results, stock selection from the group was strong, with Research in Motion Ltd. and Cisco Systems, Inc. being the top performers for the period. The Portfolio's investment in the energy sector also helped performance, with standouts including ExxonMobil Corp. and Halliburton Co.

To prepare for a potentially weaker market, our priority is to find companies that can continue to post good growth rates in a slower economy as well as companies offering limited downside regardless of macroeconomic developments.

Marc Pinto

Portfolio Manager

Janus Capital Management LLC, Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gain distribution, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions.The Portfolio also invests in individual bonds, whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest rate risk such that when interest rates rise, the prices of bonds and thus the value of the investment can decline and the investor can lose principal value. The Portfolio may at times have significant exposure to certain industry groups, which may react similarly to market developments (resulting in greater price volatility). The Portfolio also may have significant exposure to foreign markets (which include risks such as currency fluctuation and political uncertainty). Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index composed of common stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Janus Growth Opportunities VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	97%	99%
Cash Equivalents	3%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Information Technology	30%	27%
Health Care	19%	21%
Consumer Discretionary	14%	19%
Energy	13%	7%
Financials	12%	8%
Industrials	6%	8%
Consumer Staples	5%	6%
Utilities	1%	—
Materials	—	2%
Telecommunication Services	—	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 122. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Janus Growth Opportunities VIP

	Shares	Value ($)
Common Stocks 96.7%		
Consumer Discretionary 13.5%		
Diversified Consumer Services 0.6%		
Apollo Group, Inc. "A"*	16,590	**857,205**
Hotels Restaurants & Leisure 2.7%		
Starbucks Corp.*	96,520	**3,644,595**
Internet & Catalog Retail 3.3%		
Amazon.com, Inc.*	53,020	2,050,814
IAC/InterActiveCorp.*	95,790	2,537,477
		4,588,291
Media 0.8%		
XM Satellite Radio Holdings, Inc. "A"*	75,125	**1,100,581**
Specialty Retail 4.0%		
Home Depot, Inc.	76,290	2,730,419
Staples, Inc.	115,345	2,805,191
		5,535,610
Textiles, Apparel & Luxury Goods 2.1%		
NIKE, Inc. "B"	35,360	**2,864,160**
Consumer Staples 4.5%		
Beverages 1.2%		
PepsiCo, Inc.	28,255	**1,696,430**
Food & Staples Retailing 1.3%		
Sysco Corp.	59,945	**1,831,919**
Household Products 2.0%		
Procter & Gamble Co.	48,420	**2,692,152**
Energy 12.2%		
Energy Equipment & Services 1.6%		
Halliburton Co.	30,240	**2,244,110**
Oil, Gas & Consumable Fuels 10.6%		
EOG Resources, Inc.	49,080	3,403,207
ExxonMobil Corp.	20,730	1,271,786
Occidental Petroleum Corp.	67,945	6,967,760
Valero Energy Corp.	43,835	2,915,904
		14,558,657
Financials 11.9%		
Capital Markets 5.5%		
Merrill Lynch & Co., Inc.	54,590	3,797,280
optionsXpress Holdings, Inc.	64,400	1,501,164
UBS AG	20,315	2,228,556
		7,527,000
Consumer Finance 3.6%		
American Express Co.	94,160	**5,011,195**
Thrifts & Mortgage Finance 2.8%		
Fannie Mae	80,720	**3,882,632**
Health Care 18.6%		
Biotechnology 5.9%		
Amgen, Inc.*	58,255	3,799,973
Genentech, Inc.*	27,260	2,229,868
Gilead Sciences, Inc.*	35,755	2,115,266
		8,145,107
Health Care Equipment & Supplies 2.6%		
Alcon, Inc.	13,160	1,296,918
Boston Scientific Corp.*	70,420	1,185,873
Medtronic, Inc.	22,550	1,058,046
		3,540,837
Health Care Providers & Services 5.9%		
Caremark Rx, Inc.*	39,780	1,983,829
Coventry Health Care, Inc.*	74,560	4,096,326
UnitedHealth Group, Inc.	46,170	2,067,493
		8,147,648
Pharmaceuticals 4.2%		
Eli Lilly & Co.	20,855	1,152,656
Johnson & Johnson	35,280	2,113,978
Sanofi-Aventis (ADR)	51,605	2,513,163
		5,779,797
Industrials 5.5%		
Air Freight & Logistics 1.7%		
FedEx Corp.	19,285	**2,253,645**
Industrial Conglomerates 3.8%		
General Electric Co.	159,740	**5,265,030**
Information Technology 29.2%		
Communications Equipment 9.4%		
Cisco Systems, Inc.*	118,525	2,314,793
Motorola, Inc.	79,790	1,607,769
QUALCOMM, Inc.	82,620	3,310,583
Research In Motion Ltd.*	82,580	5,761,607
		12,994,752
Computers & Peripherals 2.8%		
EMC Corp.*	165,400	1,814,438
SanDisk Corp.*	38,685	1,972,161
		3,786,599
Internet Software & Services 6.1%		
Google, Inc. "A"*	6,700	2,809,511
Yahoo!, Inc.*	168,845	5,571,885
		8,381,396
Semiconductors & Semiconductor Equipment 7.5%		
Advanced Micro Devices, Inc.*	143,155	3,495,845
Samsung Electronics Co., Ltd. (GDR), 144A	12,444	3,910,527
Texas Instruments, Inc.	94,845	2,872,855
		10,279,227
Software 3.4%		
Adobe Systems, Inc.*	72,280	2,194,421
Microsoft Corp.	29,800	694,340
SAP AG (ADR)	33,230	1,745,240
		4,634,001
Utilities 1.3%		
Independent Power Producers & Energy Traders		
TXU Corp.	30,020	**1,794,896**
Total Common Stocks (Cost $118,024,144)		**133,037,472**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Cash Equivalents 3.1%		
Cash Management QP Trust, 5.07% (a) (Cost $4,218,383)	4,218,383	**4,218,383**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $122,242,527)†	99.8	**137,255,855**
Other Assets and Liabilities, Net	0.2	**243,597**
Net Assets	100.0	**137,499,452**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $122,703,108. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $14,552,747. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $19,372,311 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,819,564.*

(a) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $118,024,144)	$	133,037,472
Investment in Cash Management QP Trust (cost $4,218,383)		4,218,383
Total investments in securities, at value (cost $122,242,527)		137,255,855
Cash		10,000
Receivable for investments sold		960,537
Receivable for Portfolio shares sold		178,208
Dividends receivable		145,943
Interest receivable		13,732
Foreign taxes recoverable		7,368
Other assets		1,731
Total assets		138,573,374

Liabilities		
Payable for Portfolio shares redeemed		46,020
Payable for investments purchased		897,530
Accrued management fee		79,942
Other accrued expenses and payables		50,430
Total liabilities		1,073,922
Net assets, at value	**$**	**137,499,452**

Net Assets		
Net assets consist of:		
Undistributed net investment income		148,676
Net unrealized appreciation (depreciation) on investments		15,013,328
Accumulated net realized gain (loss)		(79,581,594)
Paid-in capital		201,919,042
Net assets, at value	**$**	**137,499,452**
Class A		
Net Asset Value, offering and redemption price per share ($127,399,203 ÷ 16,043,374 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.94**
Class B		
Net Asset Value, offering and redemption price per share ($10,100,249 ÷ 1,287,038 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.85**

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $15,244)	$	792,634
Interest — Cash Management QP Trust		33,850
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		2,170
Total Income		828,654
Expenses:		
Management fee		557,969
Custodian and accounting fees		37,765
Distribution service fees (Class B)		13,417
Record keeping fees (Class B)		7,353
Auditing		22,173
Legal		7,487
Trustees' fees and expenses		9,280
Reports to shareholders		12,378
Registration fees		1,764
Other		10,101
Total expenses before expense reductions		679,687
Expense reductions		(2,114)
Total expenses after expense reductions		677,573
Net investment income (loss)		**151,081**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		5,647,204
Net unrealized appreciation (depreciation) during the period on investments		(12,982,037)
Net gain (loss) on investment transactions		**(7,334,833)**
Net increase (decrease) in net assets resulting from operations	**$**	**(7,183,752)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 151,081	$ 120,628
Net realized gain (loss) on investment transactions	5,647,204	9,044,548
Net unrealized appreciation (depreciation) during the period on investment transactions	(12,982,037)	2,157,957
Net increase (decrease) in net assets resulting from operations	(7,183,752)	11,323,133
Distributions to shareholders from:		
Net investment income:		
Class A	(68,908)	(444,341)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,927,764	21,843,431
Reinvestment of distributions	68,908	444,341
Cost of shares redeemed	(16,016,222)	(20,249,635)
Net increase (decrease) in net assets from Class A share transactions	(10,019,550)	2,038,137
Class B		
Proceeds from shares sold	942,813	5,338,867
Cost of shares redeemed	(1,127,945)	(3,553,140)
Net increase (decrease) in net assets from Class B share transactions	(185,132)	1,785,727
Increase (decrease) in net assets	(17,457,342)	14,702,656
Net assets at beginning of period	154,956,794	140,254,138
Net assets at end of period (including undistributed net investment income of $148,676 and $66,503, respectively)	**$ 137,499,452**	**$ 154,956,794**

Other Information		
Class A		
Shares outstanding at beginning of period	17,245,579	16,930,734
Shares sold	701,482	2,847,686
Shares issued to shareholders in reinvestment of distributions	8,107	59,088
Shares redeemed	(1,911,794)	(2,591,929)
Net increase (decrease) in Class A shares	(1,202,205)	314,845
Shares outstanding at end of period	**16,043,374**	**17,245,579**
Class B		
Shares outstanding at beginning of period	1,310,790	1,081,562
Shares sold	115,654	672,131
Shares redeemed	(139,406)	(442,903)
Net increase (decrease) in Class B shares	(23,752)	229,228
Shares outstanding at end of period	**1,287,038**	**1,310,790**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.36**	**$ 7.79**	**$ 6.92**	**$ 5.45**	**$ 7.86**	**$10.31**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.01	.01	.02	(.01)	(.01)	(.03)
Net realized and unrealized gain (loss) on investment transactions	(.43)	.59	.85	1.48	(2.40)	(2.42)
Total from investment operations	(.42)	.60	.87	1.47	(2.41)	(2.45)
Less distributions from:						
Net investment income	(.00)***	(.03)	—	—	—	—
Net asset value, end of period	**$ 7.94**	**$ 8.36**	**$ 7.79**	**$ 6.92**	**$ 5.45**	**$ 7.86**
Total Return (%)	(4.98)**	7.67	12.57	26.97	(30.53)	(23.76)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	127	144	132	132	118	164
Ratio of expenses before expense reductions (%)	.88*	.92	1.06	1.07	1.01	1.11
Ratio of expenses after expense reductions (%)	.88*	.92	1.06	1.07	1.01	1.10
Ratio of net investment income (%)	.23*	.10	.31	(.17)	(.10)	(.31)
Portfolio turnover rate (%)	70*	46	58	50	48	34

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*
*** *Amount is less than $.005.*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$ 8.27**	**$ 7.72**	**$ 6.88**	**$ 5.44**	**$ 5.87**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.00***	(.02)	(.01)	(.04)	(.01)
Net realized and unrealized gain (loss) on investment transactions	(.42)	.57	.85	1.48	(.42)
Total from investment operations	(.42)	.55	.84	1.44	(.43)
Net asset value, end of period	**$ 7.85**	**$ 8.27**	**$ 7.72**	**$ 6.88**	**$ 5.44**
Total Return (%)	(5.08)**	7.12	12.21	26.47	(7.33)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	10	11	8	6	.2
Ratio of expenses (%)	1.27*	1.31	1.45	1.46	1.29*
Ratio of net investment income (%)	(.16)*	(.29)	(.08)	(.56)	(.49)*
Portfolio turnover rate (%)	70*	46	58	50	48

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*
*** *Amount is less than $.005.*

Information About Your Portfolio's Expenses

DWS Large Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,039.10	$1,037.50
Expenses Paid per $1,000*	$ 4.04	$ 5.96
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.83	$1,018.94
Expenses Paid per $1,000*	$ 4.01	$ 5.91

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Large Cap Value VIP	.80%	1.18%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Large Cap Value VIP

The broad equity market, as measured by the Standard & Poor's 500 (S&P 500) Index, had a return of 2.71% for the six-month period ended June 2006. The Portfolio returned 3.91% (Class A shares, unadjusted for contract charges), which underperformed its benchmark, the Russell 1000 Value Index, which posted a return of 6.56% for the first half of 2006. The main reason for the underperformance was that mid-cap stocks outperformed large-cap stocks (as measured by the Russell Mid Cap Index and Russell 1000 Index respectively).

The most significant negative effect on performance, both on an absolute basis and relative to the benchmark, was a significant overweight in information technology. Intel Corp. dropped sharply on disappointing earnings; other technology holdings that hurt performance were Analog Devices, Inc., International Business Machines Corp. and Microsoft Corp. (Microsoft was not held by the Portfolio at the end of the reporting period.) However, some large technology holdings, including Nokia Oyj and Cisco Systems, Inc., were among the best-performing stocks in the Portfolio.

On the positive side, performance was helped by an overweight in energy and stock selection in the energy group, with significant exposure to oil and gas exploration as well as refiners and marketers. Energy stocks that were particularly strong include Marathon Oil Corp., Baker Hughes, Inc. and Halliburton Co. Except for Baker Hughes, which was sold on strength, these stocks remain in the Portfolio.

We are very pleased with the Portfolio's positioning in high-quality stocks with low price/earnings ratios, above-average dividend yields and good earnings growth. We believe there are many reasons to expect large-cap value stocks to begin leading the market in the months ahead. Of course, past performance is no guarantee of future results.

Thomas F. Sassi	Steve Scrudato, CFA
Lead Portfolio Manager	*Portfolio Manager*

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio is subject to stock market risk. It focuses its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values.

The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 3-% of the total market capitalization of the Russell 1000 Index.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Large Cap Value VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	96%	95%
Cash Equivalents	4%	5%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Financials	32%	25%
Energy	20%	16%
Information Technology	14%	20%
Health Care	9%	7%
Industrials	9%	9%
Consumer Staples	6%	6%
Telecommunication Services	4%	3%
Materials	3%	3%
Consumer Discretionary	2%	7%
Utilities	1%	4%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 130. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Large Cap Value VIP

	Shares	Value ($)
Common Stocks 95.7%		
Consumer Discretionary 1.5%		
Specialty Retail		
TJX Companies, Inc.	193,800	**4,430,268**
Consumer Staples 5.6%		
Beverages 1.7%		
Coca-Cola Co.	122,600	**5,274,252**
Food & Staples Retailing 0.8%		
Wal-Mart Stores, Inc.	46,300	**2,230,271**
Food Products 1.1%		
General Mills, Inc.	66,400	**3,430,224**
Household Products 2.0%		
Colgate-Palmolive Co.	75,700	4,534,430
Kimberly-Clark Corp.	26,100	1,610,370
		6,144,800
Energy 18.7%		
Energy Equipment & Services 5.6%		
BJ Services Co.	173,900	6,479,514
ENSCO International, Inc.	125,700	5,784,714
Halliburton Co.	67,000	4,972,070
		17,236,298
Oil, Gas & Consumable Fuels 13.1%		
Chevron Corp.	184,800	11,468,688
ConocoPhillips	139,400	9,134,882
ExxonMobil Corp.	213,500	13,098,225
Marathon Oil Corp.	77,500	6,455,750
		40,157,545
Financials 30.8%		
Capital Markets 4.6%		
Bear Stearns Companies, Inc.	16,500	2,311,320
Lehman Brothers Holdings, Inc.	23,500	1,531,025
Merrill Lynch & Co., Inc.	39,800	2,768,488
Morgan Stanley	91,400	5,777,394
The Goldman Sachs Group, Inc.	11,000	1,654,730
		14,042,957
Commercial Banks 8.9%		
AmSouth Bancorp.	154,200	4,078,590
SunTrust Banks, Inc.	57,200	4,362,072
US Bancorp.	174,700	5,394,736
Wachovia Corp.	115,800	6,262,464
Wells Fargo & Co.	108,600	7,284,888
		27,382,750
Diversified Financial Services 9.6%		
Bank of America Corp.	232,626	11,189,311
Citigroup, Inc.	210,700	10,164,168
JPMorgan Chase & Co.	195,200	8,198,400
		29,551,879
Insurance 4.8%		
AFLAC, Inc.	79,100	3,666,285
Allstate Corp.	78,400	4,290,832
American International Group, Inc.	112,600	6,649,030
		14,606,147
Thrifts & Mortgage Finance 2.9%		
Freddie Mac	79,000	4,503,790
Washington Mutual, Inc. (a)	98,000	4,466,840
		8,970,630
Health Care 8.6%		
Health Care Equipment & Supplies 1.0%		
Baxter International, Inc.	86,800	**3,190,768**
Health Care Providers & Services 0.5%		
UnitedHealth Group, Inc.	33,200	**1,486,696**
Pharmaceuticals 7.1%		
Abbott Laboratories	126,500	5,516,665
Johnson & Johnson	87,900	5,266,968
Pfizer, Inc.	293,600	6,890,792
Wyeth	91,900	4,081,279
		21,755,704
Industrials 8.4%		
Aerospace & Defense 2.9%		
Honeywell International, Inc.	65,800	2,651,740
L-3 Communications Holdings, Inc.	33,700	2,541,654
United Technologies Corp.	60,000	3,805,200
		8,998,594
Building Products 0.8%		
Masco Corp.	85,000	**2,519,400**
Industrial Conglomerates 1.5%		
General Electric Co.	133,600	**4,403,456**
Machinery 3.2%		
Dover Corp. (a)	85,100	4,206,493
Ingersoll-Rand Co., Ltd. "A"	128,900	5,514,342
		9,720,835
Information Technology 13.3%		
Communications Equipment 3.1%		
Cisco Systems, Inc.*	262,100	5,118,813
Nokia Oyj (ADR)	218,400	4,424,784
		9,543,597
Computers & Peripherals 4.1%		
Hewlett-Packard Co.	208,197	6,595,681
International Business Machines Corp.	78,200	6,007,324
		12,603,005
IT Services 0.7%		
Automatic Data Processing, Inc.	50,400	**2,285,640**
Semiconductors & Semiconductor Equipment 5.4%		
Analog Devices, Inc.	153,900	4,946,346
Applied Materials, Inc.	242,500	3,947,900
Intel Corp.	200,400	3,797,580
Texas Instruments, Inc.	125,200	3,792,308
		16,484,134
Materials 3.2%		
Chemicals 2.1%		
E.I. du Pont de Nemours & Co.	153,600	**6,389,760**
Containers & Packaging 1.1%		
Sonoco Products Co.	106,500	**3,370,725**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Telecommunication Services 4.2%		
Diversified Telecommunication Services		
AT&T, Inc.	218,200	6,085,598
Verizon Communications, Inc.	202,900	6,795,120
		12,880,718
Utilities 1.4%		
Electric Utilities		
FPL Group, Inc.	103,400	**4,278,692**
Total Common Stocks (Cost $253,688,217)		**293,369,745**

	Shares	Value ($)
Securities Lending Collateral 2.2%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $6,686,800)	6,686,800	**6,686,800**
Cash Equivalents 3.8%		
Cash Management QP Trust, 5.07% (d) (Cost $11,782,543)	11,782,543	**11,782,543**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $272,157,560)†	101.7	**311,839,088**
Other Assets and Liabilities, Net	(1.7)	**(5,114,973)**
Net Assets	100.0	**306,724,115**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $273,645,312. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $38,193,776. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $42,527,688 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,333,912.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $6,545,856 which is 2.1% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $253,688,217) — including $6,545,856 of securities loaned	$ 293,369,745
Investment in Daily Assets Fund Institutional (cost $6,686,800)*	6,686,800
Investment in Cash Management QP Trust (cost $11,782,543)	11,782,543
Total investments in securities, at value (cost $272,157,560)	311,839,088
Receivable for investments sold	1,602,889
Dividends receivable	245,513
Interest receivable	63,783
Receivable for Portfolio shares sold	6,626
Foreign taxes recoverable	5,472
Other assets	5,313
Total assets	313,768,684

Liabilities	
Payable for Portfolio shares redeemed	128,567
Payable upon return of securities loaned	6,686,800
Accrued management fee	185,079
Other accrued expenses and payables	44,123
Total liabilities	7,044,569
Net assets, at value	**$ 306,724,115**

Net Assets	
Net assets consist of:	
Undistributed net investment income	2,825,190
Net unrealized appreciation (depreciation) on investments	39,681,528
Accumulated net realized gain (loss)	(5,851,369)
Paid-in capital	270,068,766
Net assets, at value	**$ 306,724,115**
Class A	
Net Asset Value, offering and redemption price per share ($267,999,493 ÷ 16,567,299 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 16.18**
Class B	
Net Asset Value, offering and redemption price per share ($38,724,622 ÷ 2,392,079 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 16.19**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $41,515)	$ 3,757,705
Interest — Cash Management QP Trust	368,581
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	16,558
Total Income	4,142,844
Expenses:	
Management fee	1,165,357
Custodian fees	8,324
Distribution service fees (Class B)	50,692
Record keeping fees (Class B)	27,194
Auditing	22,349
Legal	8,666
Trustees' fees and expenses	8,457
Reports to shareholders	21,901
Other	10,530
Total expenses before expense reductions	1,323,470
Expense reductions	(2,598)
Total expenses after expense reductions	1,320,872
Net investment income (loss)	**2,821,972**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from investments	9,673,547
Net unrealized appreciation (depreciation) during the period on investments	(484,296)
Net gain (loss) on investment transactions	**9,189,251**
Net increase (decrease) in net assets resulting from operations	**$ 12,011,223**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 2,821,972	$ 4,890,927
Net realized gain (loss) on investment transactions	9,673,547	11,041,062
Net unrealized appreciation (depreciation) during the period on investment transactions	(484,296)	(10,143,924)
Net increase (decrease) in net assets resulting from operations	12,011,223	5,788,065
Distributions to shareholders from:		
Net investment income:		
Class A	(4,273,682)	(4,761,672)
Class B	(482,902)	(575,737)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	15,299,912	36,091,471
Reinvestment of distributions	4,273,682	4,761,672
Cost of shares redeemed	(25,738,189)	(47,266,915)
Net increase (decrease) in net assets from Class A share transactions	(6,164,595)	(6,413,772)
Class B		
Proceeds from shares sold	736,741	4,068,880
Reinvestment of distributions	482,902	575,737
Cost of shares redeemed	(4,025,011)	(4,564,820)
Net increase (decrease) in net assets from Class B share transactions	(2,805,368)	79,797
Increase (decrease) in net assets	(1,715,324)	(5,883,319)
Net assets at beginning of period	308,439,439	314,322,758
Net assets at end of period (including undistributed net investment income of $2,825,190 and $4,759,802, respectively)	**$ 306,724,115**	**$ 308,439,439**

Other Information		
Class A		
Shares outstanding at beginning of period	16,949,748	17,350,180
Shares sold	933,952	2,330,962
Shares issued to shareholders in reinvestment of distributions	263,158	312,241
Shares redeemed	(1,579,559)	(3,043,635)
Net increase (decrease) in Class A shares	(382,449)	(400,432)
Shares outstanding at end of period	**16,567,299**	**16,949,748**
Class B		
Shares outstanding at beginning of period	2,564,460	2,560,016
Shares sold	44,939	261,484
Shares issued to shareholders in reinvestment of distributions	29,680	37,679
Shares redeemed	(247,000)	(294,719)
Net increase (decrease) in Class B shares	(172,381)	4,444
Shares outstanding at end of period	**2,392,079**	**2,564,460**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$15.81**	**$15.79**	**$14.57**	**$11.24**	**$13.40**	**$13.40**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.16	.26	.27	.24	.23	.23
Net realized and unrealized gain (loss) on investment transactions	.47	.04	1.18	3.33	(2.20)	.01
Total from investment operations	.63	.30	1.45	3.57	(1.97)	.24
Less distributions from:						
Net investment income	(.26)	(.28)	(.23)	(.24)	(.19)	(.24)
Net asset value, end of period	**$16.18**	**$15.81**	**$15.79**	**$14.57**	**$11.24**	**$13.40**
Total Return (%)	3.91**	1.97[c]	10.07	32.60	(14.98)	1.87
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	268	268	274	263	215	257
Ratio of expenses before expense reductions (%)	.80*	.80	.80	.80	.79	.79
Ratio of expenses after expense reductions (%)	.80*	.80	.80	.80	.79	.79
Ratio of net investment income (loss) (%)	1.87*	1.64	1.84	1.94	1.84	1.75
Portfolio turnover rate (%)	76*	64	40	58	84	72

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$15.79**	**$15.77**	**$14.55**	**$11.23**	**$12.77**
Income (loss) from investment operations:					
Net investment income (loss)[c]	.12	.19	.22	.18	.15
Net realized and unrealized gain (loss) on investment transactions	.47	.05	1.17	3.35	(1.69)
Total from investment operations	.59	.24	1.39	3.53	(1.54)
Less distributions from:					
Net investment income	(.19)	(.22)	(.17)	(.21)	—
Net asset value, end of period	**$16.19**	**$15.79**	**$15.77**	**$14.55**	**$11.23**
Total Return (%)	3.75**	1.58[d]	9.65	32.19	(12.06)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	39	40	40	18	.5
Ratio of expenses before expense reductions (%)	1.18*	1.21	1.18	1.19	1.04*
Ratio of expenses after expense reductions (%)	1.18*	1.20	1.18	1.19	1.04*
Ratio of net investment income (loss) %)	1.49*	1.24	1.46	1.55	2.74*
Portfolio turnover rate (%)	76*	64	40	58	84**

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Legg Mason Aggressive Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,009.10	$1,007.10
Expenses Paid per $1,000*	$ 4.48	$ 6.42
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.33	$1,018.40
Expenses Paid per $1,000*	$ 4.51	$ 6.46

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Legg Mason Aggressive Growth VIP	.90%	1.29%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Legg Mason Aggressive Growth VIP

The second quarter of 2006 saw the stock market take investors on a roller coaster ride, with a marked increase in volatility and a reversal of some of the gains made in the strong first quarter.

In this environment, Class A Shares of DWS Legg Mason Aggressive Growth VIP performed well against the Portfolio's benchmark, the Russell 3000 Growth Index. The Portfolio returned 0.91% (Class A shares unadjusted for contract charges) for the six-month period ended June 30, 2006, compared to –0.32% for the Russell 3000 Growth Index.

The Portfolio's overweight positions in health care and underweight positions in industrials, consumer staples and materials detracted from relative performance, while an overweight position in energy and an underweight position in information technology contributed.

Stock selection in health care and industrials detracted from performance, but stock selection in consumer discretionary, IT and energy was strongly positive.

The Portfolio's top ten holdings as of June 30, 2006 were Weatherford International Ltd. and Anadarko Petroleum Corp. in energy, Comcast Corp. in consumer discretionary, Lehman Brothers Holdings, Inc. in financials, Tyco International Ltd. in industrials, and Biogen Idec, Inc., Amgen, Inc., Genzyme Corp., Forest Laboratories, Inc., and UnitedHealth Group, Inc., all in health care (holdings and sector diversification are subject to change.) At the end of the period, the Portfolio remained concentrated in six sectors: health care, consumer discretionary, IT, energy, financials and industrials.

Richard Freeman
Portfolio Manager
Salomon Brothers Asset Management, Inc., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distribution, and does not guarantee future results. Investment return and principal fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract fees") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

Stocks of medium-sized companies involve greater risk as they often have limited product lines, markets, or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more-established companies. Additionally, the Portfolio may also focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 3000 Growth Index is an unmanaged index that measures the performance of those Russell 3000 Index companies with higher price-to-book rations and higher forecasted growth values. Index returns assume reinvestment of dividends and, unlike portfolio returns, so not reflect any fees or expenses. It is not possible to invest directly in an index.

Source: Russell Indices

Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Legg Mason Aggressive Growth VIP

Asset Allocation	**6/30/06**	**12/31/05**
Common Stocks	94%	92%
Cash Equivalents	4%	6%
Exchange Traded Funds	2%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Health Care	32%	37%
Consumer Discretionary	20%	15%
Information Technology	15%	16%
Energy	13%	13%
Financials	10%	10%
Industrials	10%	9%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 138. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Legg Mason Aggressive Growth VIP

	Shares	Value ($)
Common Stocks 94.2%		
Consumer Discretionary 18.2%		
Internet & Catalog Retail 1.2%		
Liberty Media Holding Corp. — Interactive "A"*	35,500	**612,730**
Media 16.7%		
Cablevision Systems Corp. (New York Group) "A"	59,000	1,265,550
CBS Corp. "B"	7,500	202,875
Comcast Corp. "A"*	6,000	196,440
Comcast Corp. Special "A"*	79,500	2,606,010
Discovery Holding Co. "A"*	8,000	117,040
Liberty Global, Inc. "A"*	3,633	78,110
Liberty Global, Inc. "C"*	3,776	77,672
Liberty Media Holding Corp. — Capital "A"*	7,100	594,767
Sirius Satellite Radio, Inc.*	26,050	123,737
Time Warner, Inc.	121,000	2,093,300
Viacom, Inc. "B"*	7,500	268,800
Walt Disney Co.	36,500	1,095,000
		8,719,301
Specialty Retail 0.3%		
Charming Shoppes, Inc.*	13,800	**155,112**
Energy 12.5%		
Energy Equipment & Services 8.0%		
Grant Prideco, Inc.*	26,400	1,181,400
Weatherford International Ltd.*	61,000	3,026,820
		4,208,220
Oil, Gas & Consumable Fuels 4.5%		
Anadarko Petroleum Corp.	49,000	**2,336,810**
Financials 9.7%		
Capital Markets 9.3%		
Lehman Brothers Holdings, Inc.	40,000	2,606,000
Merrill Lynch & Co., Inc.	32,000	2,225,920
		4,831,920
Diversified Financial Services 0.4%		
CIT Group, Inc.	4,300	**224,847**
Health Care 30.1%		
Biotechnology 17.8%		
Alkermes, Inc.*	7,500	141,900
Amgen, Inc.*	38,500	2,511,355
Biogen Idec, Inc.*	56,000	2,594,480
Genentech, Inc.*	2,500	204,500
Genzyme Corp.*	39,800	2,429,790
ImClone Systems, Inc.*	20,000	772,800
Millennium Pharmaceuticals, Inc.*	30,900	308,073
Vertex Pharmaceuticals, Inc.*	9,000	330,390
		9,293,288
Health Care Equipment & Supplies 0.3%		
Biosite, Inc.*	4,000	**182,640**
Health Care Providers & Services 4.5%		
UnitedHealth Group, Inc.	52,000	**2,328,560**
Pharmaceuticals 7.5%		
Forest Laboratories, Inc.*	62,000	2,398,780
Johnson & Johnson	11,000	659,120
King Pharmaceuticals, Inc.*	27,000	459,000
Teva Pharmaceutical Industries Ltd. (ADR)	4,000	126,360
Valeant Pharmaceuticals International	17,000	287,640
		3,930,900
Industrials 9.5%		
Aerospace & Defense 3.6%		
L-3 Communications Holdings, Inc.	24,700	**1,862,874**
Industrial Conglomerates 4.7%		
Tyco International Ltd.	89,500	**2,461,250**
Machinery 1.2%		
Pall Corp.	23,500	**658,000**
Information Technology 14.2%		
Communications Equipment 2.7%		
C-COR, Inc.*	15,000	115,800
Motorola, Inc.	50,300	1,013,545
Nokia Oyj (ADR)	14,000	283,640
		1,412,985
Computers & Peripherals 2.9%		
SanDisk Corp.*	19,500	994,110
Seagate Technology*	23,125	523,550
		1,517,660
Electronic Equipment & Instruments 0.0%		
Cogent, Inc.*	126	**1,899**
Semiconductors & Semiconductor Equipment 7.7%		
Broadcom Corp. "A"*	28,000	841,400
Cabot Microelectronics Corp.*	5,000	151,550
Cirrus Logic, Inc.*	15,000	122,100
Cree, Inc.*	5,500	130,680
DSP Group, Inc.*	6,000	149,100
Freescale Semiconductor, Inc. "B"*	4,000	117,600
Intel Corp.	21,500	407,425
Micron Technology, Inc.*	119,000	1,792,140
RF Micro Devices, Inc.*	19,000	113,430
Teradyne, Inc.*	15,500	215,915
		4,041,340
Software 0.9%		
Advent Software, Inc.*	5,000	180,350
Autodesk, Inc.*	7,900	272,234
		452,584
Total Common Stocks (Cost $46,607,589)		**49,232,920**
Exchange Traded Fund 2.2%		
Nasdaq-100 Index Tracking Stock (Cost $1,151,352)	29,000	**1,124,040**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Cash Equivalents 3.5%		
Cash Management QP Trust, 5.07% (a) (Cost $1,847,003)	1,847,003	**1,847,003**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $49,605,944)†	99.9	**52,203,963**
Other Assets and Liabilities, Net	0.1	**40,821**
Net Assets	100.0	**52,244,784**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $49,606,282. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $2,597,681. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $4,647,606 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,049,925.*

(a) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $47,758,941)	$	50,356,960
Investment in Cash Management QP Trust (cost $1,847,003)		1,847,003
Total investments in securities, at value (cost $49,605,944)		52,203,963
Cash		10,000
Dividends receivable		13,560
Interest receivable		7,887
Receivable for Portfolio shares sold		106,917
Foreign taxes recoverable		34
Other assets		826
Total assets		52,343,187
Liabilities		
Payable for Portfolio shares redeemed		2,039
Accrued management fee		20,633
Other accrued expenses and payables		75,731
Total liabilities		98,403
Net assets, at value	**$**	**52,244,784**
Net Assets		
Net assets consist of:		
Accumulated net investment loss		(79,226)
Net unrealized appreciation (depreciation) on investments		2,598,019
Accumulated net realized gain (loss)		480,537
Paid-in capital		49,245,454
Net assets, at value	**$**	**52,244,784**
Class A		
Net Asset Value, offering and redemption price per share ($44,018,156 ÷ 4,940,241 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.91**
Class B		
Net Asset Value, offering and redemption price per share ($8,226,628 ÷ 938,187 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.77**

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,081)	$	103,741
Interest — Cash Management QP Trust		67,830
Total Income		171,571
Expenses:		
Management fee		208,248
Custodian and accounting fees		33,832
Distribution service fees (Class B)		10,410
Record keeping fees (Class B)		5,654
Auditing		22,025
Legal		30,260
Trustees' fees and expenses		6,700
Reports to shareholders		6,335
Other		4,546
Total expenses before expense reductions		328,010
Expense reductions		(77,309)
Total expenses after expense reductions		250,701
Net investment income (loss)		**(79,130)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		505,561
Net unrealized appreciation (depreciation) during the period on investments		(198,714)
Net gain (loss) on investment transactions		**306,847**
Net increase (decrease) in net assets resulting from operations	**$**	**227,717**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ (79,130)	$ (240,509)
Net realized gain (loss) on investment transactions	505,561	11,407,241
Net unrealized appreciation (depreciation) during the period on investment transactions	(198,714)	(5,770,418)
Net increase (decrease) in net assets resulting from operations	227,717	5,396,314
Distributions to shareholders from:		
Net realized gains:		
Class A	(7,045,756)	—
Class B	(1,356,823)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	7,869,626	6,159,388
Reinvestment of distributions	7,045,756	—
Cost of shares redeemed	(4,133,835)	(5,441,650)
Net increase (decrease) in net assets from Class A share transactions	10,781,547	717,738
Class B		
Proceeds from shares sold	932,187	1,219,223
Reinvestment of distributions	1,356,823	—
Cost of shares redeemed	(677,153)	(1,500,940)
Net increase (decrease) in net assets from Class B share transactions	1,611,857	(281,717)
Increase (decrease) in net assets	4,218,542	5,832,335
Net assets at beginning of period	48,026,242	42,193,907
Net assets at end of period (including accumulated net investment loss of $79,226 and $96, respectively)	**$ 52,244,784**	**$ 48,026,242**

Other Information		
Class A		
Shares outstanding at beginning of period	3,827,569	3,784,410
Shares sold	775,771	612,692
Shares issued to shareholders in reinvestment of distributions	761,703	—
Shares redeemed	(424,802)	(569,533)
Net increase (decrease) in Class A shares	1,112,672	43,159
Shares outstanding at end of period	**4,940,241**	**3,827,569**
Class B		
Shares outstanding at beginning of period	765,201	793,650
Shares sold	93,986	129,308
Shares issued to shareholders in reinvestment of distributions	148,938	—
Shares redeemed	(69,937)	(157,757)
Net increase (decrease) in Class B shares	172,987	(28,449)
Shares outstanding at end of period	**938,188**	**765,201**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001[b]
Selected Per Share Data						
Net asset value, beginning of period	**$10.48**	**$ 9.23**	**$ 8.24**	**$ 6.08**	**$ 8.80**	**$10.00**
Income (loss) from investment operations:						
Net investment income (loss)[c]	(.01)	(.05)	(.06)	(.06)	(.05)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.17	1.30	1.05	2.22	(2.67)	(1.18)
Total from investment operations	.16	1.25	.99	2.16	(2.72)	(1.20)
Less distributions from:						
Net realized gains on investment transactions	(1.73)	—	—	—	—	—
Net asset value, end of period	**$ 8.91**	**$10.48**	**$ 9.23**	**$ 8.24**	**$ 6.08**	**$ 8.80**
Total Return (%)	.91[d]**	13.54[d]	12.01[d]	35.53[d]	(30.91)	(12.00)[d]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	44	40	35	34	25	23
Ratio of expenses before expense reductions (%)	1.20*	1.44	1.48	1.46	1.14	1.97*
Ratio of expenses after expense reductions (%)	.90*	1.16	1.30	1.30	1.14	1.30*
Ratio of net investment income (loss) (%)	(.24)*	(.50)	(.71)	(.85)	(.71)	(.40)*
Portfolio turnover rate (%)	9*	166	133	115	79	40*

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$10.36**	**$ 9.15**	**$ 8.21**	**$ 6.07**	**$ 6.51**
Income (loss) from investment operations:					
Net investment income (loss)[c]	(.03)	(.09)	(.09)	(.09)	(.03)
Net realized and unrealized gain (loss) on investment transactions	.17	1.30	1.03	2.23	(.41)
Total from investment operations	.14	1.21	.94	2.14	(.44)
Less distributions from:					
Net realized gains on investment transactions	(1.73)	—	—	—	—
Net asset value, end of period	**$ 8.77**	**$10.36**	**$ 9.15**	**$ 8.21**	**$ 6.07**
Total Return (%)	.71[d]**	13.22[d]	11.45[d]	35.26[d]	(6.76)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	8	8	7	5	.1
Ratio of expenses before expense reductions (%)	1.58*	1.84	1.88	1.85	1.40*
Ratio of expenses after expense reductions (%)	1.29*	1.55	1.70	1.69	1.40*
Ratio of net investment income (loss) (%)	(.63)*	(.89)	(1.11)	(1.24)	(.82)*
Portfolio turnover rate (%)	9*	166	133	115	79

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Mid Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,011.50	$1,009.80
Expenses Paid per $1,000*	$ 4.69	$ 6.48
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.13	$1,018.35
Expenses Paid per $1,000*	$ 4.71	$ 6.51

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Mid Cap Growth VIP	.94%	1.30%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio of any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Mid Cap Growth VIP

Stock market performance during the first quarter and second quarter of the year contrasted sharply. While all size and style segments benefited from strong positive returns during the first quarter (as measured by the world of Russell Indices), only large-cap value stocks as measured by the Russell 1000 Value Index were spared from negative returns in the second quarter. Within the US economy, resource utilization is high and some measures of inflation expectations have edged up slightly (as have recent core inflation readings). Equities face more uncertainty as the economy navigates a narrow channel between potential overheating (with significantly higher inflation) and subpar growth.

For its most recent semiannual period, the Portfolio returned 1.15% (Class A shares, unadjusted for contract charges), underperforming the 2.56% return of the Russell Midcap Growth Index.

During the period, detractors from performance included stock selection in the consumer discretionary and financials sectors, underweights to materials and industrials and an overweight to health care relative to the benchmark. Positive contributors to performance included stock selection in the health care, industrials and energy sectors. We continue to maintain a long-term perspective, investing in quality mid-cap growth stocks, as we weather the recent difficult market conditions.

Robert S. Janis
Portfolio Manager
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. It is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. Stocks of medium-sized companies involve greater risk than securities of larger, more established companies, as they often have limited product lines, markets or financial resources and may be subject to more-erratic and more-abrupt market movements. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.

Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Mid Cap Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	97%	97%
Cash Equivalents	3%	2%
Exchange Traded Funds	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Information Technology	22%	21%
Consumer Discretionary	22%	22%
Health Care	20%	22%
Financials	12%	10%
Energy	11%	11%
Industrials	11%	10%
Telecommunication Services	1%	1%
Consumer Staples	1%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 146. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 97.7%		
Consumer Discretionary 21.2%		
Hotels Restaurants & Leisure 5.1%		
Burger King Holdings, Inc.* (a)	7,300	114,975
Panera Bread Co. "A"* (a)	10,400	699,296
Station Casinos, Inc. (a)	18,920	1,288,074
The Cheesecake Factory, Inc.* (a)	38,920	1,048,894
		3,151,239
Household Durables 2.1%		
Jarden Corp.* (a)	43,260	**1,317,267**
Specialty Retail 5.5%		
Chico's FAS, Inc.*	48,970	1,321,210
Guess?, Inc.*	13,800	576,150
Urban Outfitters, Inc.* (a)	88,200	1,542,618
		3,439,978
Textiles, Apparel & Luxury Goods 8.5%		
Coach, Inc.*	63,900	1,910,610
Polo Ralph Lauren Corp.	39,040	2,143,296
Quicksilver, Inc.* (a)	97,860	1,191,935
		5,245,841
Consumer Staples 1.4%		
Personal Products		
Herbalife Ltd.* (a)	21,400	**853,860**
Energy 11.0%		
Energy Equipment & Services 4.6%		
BJ Services Co.	19,950	743,337
Noble Corp.	17,870	1,329,885
Rowan Companies, Inc.	23,050	820,350
		2,893,572
Oil, Gas & Consumable Fuels 6.4%		
Aventine Renewable Energy Holdings, Inc.*	2,400	93,360
Peabody Energy Corp.	24,840	1,384,830
Southwestern Energy Co.* (a)	22,900	713,564
Ultra Petroleum Corp.*	29,730	1,762,097
		3,953,851
Financials 11.2%		
Capital Markets 9.3%		
Affiliated Managers Group, Inc.* (a)	22,410	1,947,205
E*TRADE Financial Corp.*	86,010	1,962,748
Jefferies Group, Inc.	27,400	811,862
Nuveen Investments "A" (a)	23,900	1,028,895
		5,750,710
Diversified Financial Services 1.9%		
Nasdaq Stock Market, Inc.* (a)	40,300	**1,204,970**
Health Care 19.8%		
Biotechnology 4.3%		
Celgene Corp.*	33,380	1,583,213
Genzyme Corp.*	17,840	1,089,132
		2,672,345
Health Care Equipment & Supplies 4.7%		
C.R. Bard, Inc.	8,740	640,293
Hologic, Inc.* (a)	15,400	760,144
Mentor Corp. (a)	22,100	961,350
The Cooper Companies, Inc. (a)	12,500	553,625
		2,915,412
Health Care Providers & Services 6.7%		
AMERIGROUP Corp.* (a)	70,480	2,187,699
DaVita, Inc.* (a)	18,360	912,492
Omnicare, Inc. (a)	22,650	1,074,063
		4,174,254
Health Care Technology 1.8%		
Cerner Corp.* (a)	30,000	**1,113,300**
Life Sciences Tools & Services 2.3%		
Fisher Scientific International, Inc.*	19,410	**1,417,901**
Industrials 10.4%		
Electrical Equipment 2.6%		
Roper Industries, Inc.	34,850	**1,629,237**
Machinery 7.8%		
Joy Global, Inc.	24,690	1,286,102
Oshkosh Truck Corp.	37,580	1,785,802
Terex Corp.*	17,940	1,770,678
		4,842,582
Information Technology 21.2%		
Communications Equipment 1.5%		
Comverse Technologies, Inc.* (a)	46,890	**927,015**
Computers & Peripherals 1.8%		
Network Appliance, Inc.*	31,300	**1,104,890**
Electronic Equipment & Instruments 1.8%		
Molex, Inc. "A"	39,490	**1,134,548**
Internet Software & Services 2.7%		
Akamai Technologies, Inc.* (a)	46,700	**1,690,073**
IT Services 2.8%		
Cognizant Technology Solutions Corp. "A"*	12,650	852,231
VeriFone Holdings, Inc.* (a)	28,200	859,536
		1,711,767
Semiconductors & Semiconductor Equipment 5.0%		
Broadcom Corp. "A"*	40,560	1,218,828
MEMC Electronic Materials, Inc.*	51,200	1,920,000
		3,138,828
Software 5.6%		
Activision, Inc.*	88,743	1,009,895
NAVTEQ Corp.*	29,900	1,335,932
Salesforce.com, Inc.* (a)	42,050	1,121,053
		3,466,880
Telecommunication Services 1.5%		
Wireless Telecommunication Services		
NII Holdings, Inc.*	15,860	**894,186**
Total Common Stocks (Cost $49,852,517)		**60,644,506**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Securities Lending Collateral 29.9%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $18,583,582)	18,583,582	**18,583,582**
Cash Equivalents 2.7%		
Cash Management QP Trust, 5.07% (d) (Cost $1,648,492)	1,648,492	**1,648,492**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $70,084,591)†	130.3	**80,876,580**
Other Assets and Liabilities, Net	(30.3)	**(18,788,718)**
Net Assets	100.0	**62,087,862**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $70,141,482. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $10,735,098. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $13,027,612 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,292,514.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $18,400,853 which is 29.6% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $49,852,517) — including $18,400,853 of securities loaned	$	60,644,506
Investment in Daily Assets Fund Institutional (cost $18,583,582)*		18,583,582
Investment in Cash Management QP Trust (cost $1,648,492)		1,648,492
Total investments in securities, at value (cost $70,084,591)		80,876,580
Receivable for investments sold		75,197
Dividends receivable		9,850
Interest receivable		7,887
Other assets		908
Total assets		80,970,422

Liabilities		
Payable for investments purchased		161,200
Payable for Portfolio shares redeemed		83,141
Payable upon return of securities loaned		18,583,582
Accrued management fee		7,629
Other accrued expenses and payables		47,008
Total liabilities		18,882,560
Net assets, at value	**$**	**62,087,862**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(207,857)
Net unrealized appreciation (depreciation) on investments		10,791,989
Accumulated net realized gain (loss)		(29,990,398)
Paid-in capital		81,494,128
Net assets, at value	**$**	**62,087,862**
Class A		
Net Asset Value, offering and redemption price per share ($54,482,990 ÷ 4,757,316 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.45**
Class B		
Net Asset Value, offering and redemption price per share ($7,604,872 ÷ 673,093 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.30**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends	$	79,196
Interest — Cash Management QP Trust		38,953
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		4,601
Total Income		122,750
Expenses:		
Management fee		248,521
Custodian and accounting fees		33,435
Distribution service fees (Class B)		9,358
Record keeping fees (Class B)		4,989
Auditing		22,549
Legal		6,732
Trustees' fees and expenses		5,677
Reports to shareholders		7,331
Other		3,203
Total expenses before expense reductions		341,795
Expense reductions		(15,236)
Total expenses after expense reductions		326,559
Net investment income (loss)		**(203,809)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		2,995,575
Net unrealized appreciation (depreciation) during the period on investments		(1,970,853)
Net gain (loss) on investment transactions		**1,024,722**
Net increase (decrease) in net assets resulting from operations	**$**	**820,913**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ (203,809)	$ (292,729)
Net realized gain (loss) on investment transactions	2,995,575	6,195,328
Net unrealized appreciation (depreciation) during the period on investment transactions	(1,970,853)	2,483,401
Net increase (decrease) in net assets resulting from operations	820,913	8,386,000
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,826,667	10,629,646
Cost of shares redeemed	(7,414,862)	(14,069,195)
Net increase (decrease) in net assets from Class A share transactions	(3,588,195)	(3,439,549)
Class B		
Proceeds from shares sold	1,515,137	1,213,427
Cost of shares redeemed	(763,434)	(1,408,796)
Net increase (decrease) in net assets from Class B share transactions	751,703	(195,369)
Increase (decrease) in net assets	(2,015,579)	4,751,082
Net assets at beginning of period	64,103,441	59,352,359
Net assets at end of period (including accumulated net investment loss of $207,857 and $4,048, respectively)	**$ 62,087,862**	**$ 64,103,441**

Other Information		
Class A		
Shares outstanding at beginning of period	5,056,911	5,401,258
Shares sold	314,758	1,010,050
Shares redeemed	(614,353)	(1,354,397)
Net increase (decrease) in Class A shares	(299,595)	(344,347)
Shares outstanding at end of period	**4,757,316**	**5,056,911**
Class B		
Shares outstanding at beginning of period	612,639	634,195
Shares sold	124,881	115,791
Shares redeemed	(64,427)	(137,347)
Net increase (decrease) in Class B shares	60,454	(21,556)
Shares outstanding at end of period	**673,093**	**612,639**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$11.32**	**$ 9.84**	**$ 9.46**	**$ 7.06**	**$10.22**	**$13.20**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.04)	(.05)	(.01)	(.05)	(.01)	.06
Net realized and unrealized gain (loss) on investment transactions	.17	1.53	.39	2.45	(3.11)	(2.92)
Total from investment operations	.13	1.48	.38	2.40	(3.12)	(2.86)
Less distributions from:						
Net investment income	—	—	—	—	(.04)	(.12)
Net asset value, end of period	**$11.45**	**$11.32**	**$ 9.84**	**$ 9.46**	**$ 7.06**	**$10.22**
Total Return (%)	1.15[c]**	15.04[c]	4.02[c]	33.99[c]	(30.66)	(21.76)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	54	57	53	56	44	71
Ratio of expenses before expense reductions (%)	.99*	1.01	1.02	.98	.81	.86
Ratio of expenses after expense reductions (%)	.94*	.95	.95	.95	.81	.86
Ratio of net investment income (%)	(.57)*	(.45)	(.11)	(.57)	(.19)	.58
Portfolio turnover rate (%)	47*	104	103	91	71	42

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$11.19**	**$ 9.76**	**$ 9.42**	**$ 7.06**	**$ 7.43**
Income (loss) from investment operations:					
Net investment income (loss)[c]	(.06)	(.09)	(.05)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.17	1.52	.39	2.45	(.35)
Total from investment operations	.11	1.43	.34	2.36	(.37)
Net asset value, end of period	**$11.30**	**$11.19**	**$ 9.76**	**$ 9.42**	**$ 7.06**
Total Return (%)	.98[d]**	14.65[d]	3.61[d]	33.43[d]	(4.98)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	8	7	6	4	.1
Ratio of expenses before expense reductions (%)	1.37*	1.40	1.41	1.37	1.06*
Ratio of expenses after expense reductions (%)	1.30*	1.32	1.34	1.34	1.06*
Ratio of net investment income (%)	(.93)*	(.82)	(.50)	(.96)	(.47)*
Portfolio turnover rate (%)	47*	104	103	91	71

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Money Market VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,021.10	$1,019.20
Expenses Paid per $1,000*	$ 2.66	$ 4.51
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,022.17	$1,020.33
Expenses Paid per $1,000*	$ 2.66	$ 4.51

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Money Market VIP	.53%	.90%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Money Market VIP

During the six-month period ended June 30, 2006, the US Federal Reserve Board (the Fed) continued its recent policy of increasing short-term interest rates in an attempt to head off a resurgence in inflation. The federal funds rate was raised to 5.25% in four quarter-percentage-point increments in the first half of 2006. At the end of June, the one-year LIBOR rate, an industry standard for measuring one-year money market rates, stood at 5.69%.

During the six-month period ended June 30, 2006, the Portfolio provided a total return of 2.11% (Class A shares, unadjusted for contract charges) compared with the 2.05% average return for funds in the Lipper Money Market Funds category for the same period, according to Lipper Inc. The nonsubsidized seven-day current yield was 4.65% as of June 30, 2006.

During the period, our strategy was to keep the Portfolio's average maturity relatively short in order to help reduce risk, limiting our purchases, for the most part, to three-month maturity issues and shorter. Following Hurricanes Katrina and Wilma, our decision to extend maturity (because we felt that the economy would slow — it actually remained strong) detracted slightly from performance over the period. For the period, we maintained a significant allocation in floating-rate securities. Our decision to maintain a significant allocation in this sector helped performance during the period. In addition, because we believe the Fed will end its series of interest rates increases this year, we will be looking for opportunities to extend maturity and boost the Portfolio's yield over the coming months. Going forward, we will continue our focus on the highest credit quality within the Portfolio and maintain our conservative investment strategies and standards.

A group of investment professionals is responsible for the day-to-day management of the Portfolio. These investment professionals have a broad range of experience managing money market funds.

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. The yield quotation more closely reflects the current earnings of the Portfolio than the total return quotation.

Yields fluctuate and are not guaranteed. Money Market seven-day current yield is the annualized net investment income per share for the period owned.

The nonsubsidized yield reflects what the yield would have been had a fee and/or waiver not been in place during the period shown.

Risk Considerations

An investment in this Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency. Although the Portfolio seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Portfolio. Please read this Portfolio's prospectus for specific details regarding its investment and risk profile.

LIBOR, the London Interbank Offered Rate, is the most widely used benchmark or reference rate for short-term interest rates. LIBOR is the rate of interest at which banks borrow funds from other banks, in large volume, in the international market.

The Lipper Money Market Funds category includes funds that invest in high-quality financial instruments rated in the top two grades with dollar-weighted average maturities of less than 90 days and that intend to keep a constant net asset value. It is not possible to invest directly in a Lipper category.

Federal funds rate — the overnight rate charged by banks when they borrow money from each other. Set by the Federal Open Market Committee (FOMC), the fed funds rate is the most sensitive — and closely watched — indicator concerning the direction of short-term interest rates. The FOMC is a key committee within the US Federal Reserve System, and meets every six weeks to review Fed policy on short-term rates. Based on current Fed policy, the FOMC may choose to raise or lower the fed funds rate to either add liquidity to the economy or remove it.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Money Market VIP

Asset Allocation	6/30/06	12/31/05
Commercial Paper	32%	32%
Short-Term Notes	22%	30%
Certificates of Deposit and Bank Notes	15%	25%
Time Deposits	9%	—
Repurchase Agreements	8%	7%
US Government Sponsored Agencies	5%	2%
Promissory Notes	5%	—
Funding Agreement	3%	4%
Asset Backed	1%	—
	100%	100%

Weighted Average Maturity*		
DWS Variable Series II — DWS Money Market VIP	42 days	35 days
First Tier Money Fund Average	39 days	38 days

* *The Portfolio is compared to its respective iMoneyNet category: Category includes only non-government retail funds that are not holding any second tier securities. Portfolio Holdings of First Tier funds include US Other Repos, Time Deposits, Domestic Bank Obligations, Foreign Bank Obligations, First Tier CP, Floating Rate Notes and Asset backed Commercial Paper.*

Asset allocation and weighted average maturity are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 154. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Money Market VIP

	Principal Amount ($)	Value ($)
Certificates of Deposit and Bank Notes 16.7%		
Banco Bilbao Vizcaya Argentaria SA, 4.98%, 9/1/2006	3,000,000	2,999,810
Bank of Nova Scotia, 5.31%, 8/8/2006	17,000,000	17,000,000
Bank of Tokyo-Mitsubishi-UFJ Ltd., 5.3%, 8/8/2006	2,000,000	2,000,000
Calyon, 4.75%, 10/24/2006	6,000,000	6,000,000
HBOS Treasury Services PLC, 3.8%, 7/10/2006	3,000,000	3,000,000
Natexis Banque Populaires, 5.0%, 2/8/2007	3,700,000	3,700,000
Norinchukin Bank, 5.32%, 8/8/2006	16,000,000	16,000,000
Wells Fargo Bank NA, 5.2%, 7/7/2006	6,000,000	6,000,000
Total Certificates of Deposit and Bank Notes (Cost $56,699,810)		**56,699,810**
Commercial Paper 33.8%**		
AB Spintab, 5.42%, 9/29/2006	10,500,000	10,357,725
Apreco, LLC, 5.37%, 7/3/2006	17,000,000	16,994,928
Giro Funding US Corp., 5.325%, 8/4/2006	17,000,000	16,914,504
Greyhawk Funding LLC, 5.05%, 7/5/2006	15,000,000	14,991,583
KBC Financial Products International Ltd., 5.34%, 7/3/2006	400,000	399,881
Merrill Lynch & Co., Inc., 5.32%, 7/5/2006	13,000,000	12,992,316
Natexis US Finance Company LLC, 4.65%, 7/24/2006	6,000,000	5,982,175
UniCredito Italiano (DE), Inc., 4.95%, 7/6/2006	9,000,000	8,993,813
United Technologies Corp., 5.35%, 7/3/2006	11,005,000	11,001,729
Verizon Communications, Inc.:		
5.3%, 7/10/2006	3,000,000	2,996,025
5.42%, 8/7/2006	10,278,000	10,220,746
5.42%, 8/8/2006	3,000,000	2,982,837
Total Commercial Paper (Cost $114,828,262)		**114,828,262**
US Government Sponsored Agencies 5.2%		
Federal Home Loan Mortgage Corp.:		
5.35%, 5/25/2007	8,500,000	8,500,000
5.5%, 7/3/2007	3,000,000	3,000,000
Federal National Mortgage Association:		
4.0%, 8/8/2006	3,000,000	3,000,000
4.03%, 7/21/2006	3,000,000	3,000,000
Total US Government Sponsored Agencies (Cost $17,500,000)		**17,500,000**

	Principal Amount ($)	Value ($)
Funding Agreement 3.5%		
New York Life Insurance Co., 3.994% *, 9/19/2006 (Cost $12,000,000)	12,000,000	**12,000,000**
Asset Backed 0.9%		
Steers Mercury III Trust, 144A, 5.355%*, 5/27/2048 (Cost $3,000,000)	3,000,000	**3,000,000**
Promissory Notes 5.0%		
The Goldman Sachs Group, Inc.:		
4.64% *, 11/10/2006	9,000,000	9,000,000
5.12% *, 3/20/2007	8,000,000	8,000,000
Total Promissory Notes (Cost $17,000,000)		**17,000,000**
Short-Term Notes 23.8%		
American Express Credit Corp., 5.11%*, 1/9/2007	6,000,000	5,999,665
BNP Paribas, 5.293%*, 10/26/2007	3,000,000	3,000,000
Canadian Imperial Bank of Commerce, 3.821*%, 12/4/2006	6,000,000	6,001,775
CIT Group, Inc.:		
5.37%*, 2/15/2007	9,000,000	9,011,207
7.375%, 4/2/2007	4,600,000	4,666,526
DNB Nor Bank ASA, 5.313%*, 7/25/2007	9,000,000	9,000,000
Five Finance, Inc., 5.7%, 7/3/2007	6,000,000	6,000,000
International Business Machine Corp., 5.135%*, 7/6/2007	3,000,000	3,000,000
M&I Marshall & Ilsley Bank, 5.179%*, 12/15/2006	4,000,000	4,000,000
Northern Rock PLC, 5.334%*, 2/5/2007	3,000,000	3,000,000
Skandinaviska Enskilda Banken, 5.242%*, 7/18/2007	3,000,000	3,000,000
Tango Finance Corp., 144A, 5.168%*, 9/18/2006	15,000,000	14,999,913
The Bear Stearns Companies, Inc., 4.82%*, 10/18/2006	6,000,000	6,000,000
UniCredito Italiano Bank (Ireland) PLC, 5.16%*, 3/9/2007	3,000,000	3,000,000
Total Short-Term Notes (Cost $80,679,086)		**80,679,086**
Time Deposits 9.4%		
Bank of Tokyo-Mitsubishi-UFJ Ltd., 5.5%, 7/3/2006	15,000,000	15,000,000
Societe Generale, 5.313%, 7/3/2006	17,000,000	17,000,000
Total Time Deposits (Cost $32,000,000)		**32,000,000**

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Repurchase Agreements 8.8%		
BNP Paribas, 5.28%, dated 6/30/2006, to be repurchased at $10,004,400 on 7/3/2006 (a)	10,000,000	10,000,000
Greenwich Capital Markets, Inc., 5.30%, dated 6/30/2006, to be repurchased at $20,008,833 on 7/3/2006 (b)	20,000,000	20,000,000
Total Repurchase Agreements (Cost $30,000,000)		**30,000,000**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $363,707,158)†	107.1	**363,707,158**
Other Assets and Liabilities, Net	(7.1)	**(24,187,083)**
Net Assets	100.0	**339,520,075**

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2006.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $363,707,158.*

(a) *Collateralized by $10,833,000 US Treasury Note, 3.75%, maturing on 2/15/2013 with a value of $10,200,363.*

(b) *Collateralized by $20,466,052, Federal National Mortgage Association, 5.75%, maturing on 5/15/2016 with a value of $20,400,612.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets	
Investments:	
Investments in securities, valued at amortized cost (cost $363,707,158)	$ 363,707,158
Total investments in securities, valued at amortized cost (cost $363,707,158)	363,707,158
Interest receivable	1,053,171
Receivable for Portfolio shares sold	221,786
Other assets	4,162
Total assets	364,986,277
Liabilities	
Payable for investments purchased	22,000,000
Payable for Portfolio shares redeemed	2,338,660
Distributions payable	652,673
Due to custodian	271,476
Accrued management fee	121,272
Other accrued expenses and payables	82,121
Total liabilities	25,466,202
Net assets, at value	**$ 339,520,075**
Net Assets	
Net assets consist of:	
Accumulated distributions in excess of net investment income	(40,899)
Accumulated net realized gain (loss)	5,277
Paid-in capital	339,555,697
Net assets, at value	**$ 339,520,075**
Class A	
Net Asset Value, offering and redemption price per share ($284,063,392 ÷ 284,091,617 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 1.00**
Class B	
Net Asset Value, offering and redemption price per share ($55,456,683 ÷ 55,460,599 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 1.00**

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income	
Income:	
Interest	$ 7,232,221
Expenses:	
Management fee	703,169
Custodian fees	11,744
Distribution service fees (Class B)	75,679
Record keeping fees (Class B)	37,617
Auditing	19,859
Legal	8,783
Trustees' fee and expenses	9,938
Reports to shareholders	45,250
Other	8,739
Total expenses, before expense reductions	920,778
Expense reductions	(3,171)
Total expenses, after expense reductions	917,607
Net investment income	**6,314,614**
Net realized gain (loss) on investment transactions	**5,277**
Net increase (decrease) in net assets resulting from operations	**$ 6,319,891**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income	$ 6,314,614	$ 8,462,304
Net realized gain (loss) on investment transactions	5,277	1,179
Net increase (decrease) in net assets resulting from operations	6,319,891	8,463,483
Distributions to shareholders from:		
Net investment income:		
Class A	(5,151,318)	(7,099,842)
Class B	(1,163,296)	(1,362,462)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	118,841,959	227,608,429
Reinvestment of distributions	4,985,654	6,884,287
Cost of shares redeemed	(74,736,608)	(240,799,854)
Net increase (decrease) in net assets from Class A share transactions	49,091,005	(6,307,138)
Class B		
Proceeds from shares sold	41,260,977	83,177,262
Reinvestment of distributions	1,149,013	1,303,053
Cost of shares redeemed	(45,199,232)	(78,947,805)
Net increase (decrease) in net assets from Class B share transactions	(2,789,242)	5,532,510
Increase (decrease) in net assets	46,307,040	(773,449)
Net assets at beginning of period	293,213,035	293,986,484
Net assets at end of period (including accumulated distributions in excess of net investment income of $40,899 and $40,899, respectively)	**$ 339,520,075**	**$ 293,213,035**

Other Information		
Class A		
Shares outstanding at beginning of period	235,000,612	241,307,750
Shares sold	118,841,959	227,608,429
Shares issued to shareholders in reinvestment of distributions	4,985,654	6,884,287
Shares redeemed	(74,736,608)	(240,799,854)
Net increase (decrease) in Class A shares	49,091,005	(6,307,138)
Shares outstanding at end of period	**284,091,617**	**235,000,612**
Class B		
Shares outstanding at beginning of period	58,249,841	52,717,331
Shares sold	41,260,977	83,177,262
Shares issued to shareholders in reinvestment of distributions	1,149,013	1,303,053
Shares redeemed	(45,199,232)	(78,947,805)
Net increase (decrease) in Class B shares	(2,789,242)	5,532,510
Shares outstanding at end of period	**55,460,599**	**58,249,841**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Income from investment operations:						
Net investment income	.021	.028	.009	.007	.013	.037
Total from investment operations	.021	.028	.009	.007	.013	.037
Less distributions from:						
Net investment income	(.021)	(.028)	(.009)	(.007)	(.013)	(.037)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	2.11**	2.80	.91	.72	1.35	3.75
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	284	235	241	326	570	671
Ratio of expenses (%)	.53*	.52	.53	.54	.54	.55
Ratio of net investment income (%)	4.23*	2.77	.88	.73	1.35	3.39

a *For the six months ended June 30, 2006 (Unaudited).*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Income from investment operations:					
Net investment income	.019	.024	.005	.004	.007
Total from investment operations	.019	.024	.005	.004	.007
Less distributions from:					
Net investment income	(.019)	(.024)	(.005)	(.004)	(.007)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	1.92**	2.42	.52	.42	.67**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	55	58	53	66	3
Ratio of expenses before expense reductions (%)	.90*	.89	.91	.93	.79*
Ratio of expenses after expense reductions (%)	.90*	.89	.91	.92	.64*
Ratio of net investment income (%)	3.84*	2.40	.50	.35	1.11*

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Oak Strategic Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses for Class B shares; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$ 928.00	$ 927.10
Expenses Paid per $1,000*	$ 4.73	$ 6.21
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,019.89	$1,018.35
Expenses Paid per $1,000*	$ 4.96	$ 6.51

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Oak Strategic Equity VIP	.99%	1.30%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Oak Strategic Equity VIP

US equities posted modest gains during the first six months of 2006, with the Standard & Poor's 500 Stock Index (S&P 500) rising 2.71%. In this environment, Class A shares of DWS Oak Strategic Equity VIP returned –7.20% (unadjusted for contract charges), compared to -0.93% for the Portfolio's benchmark, the Russell 1000 Growth Index.

The Portfolio's lack of exposure to the utilities and industrials sectors, and overweight positions in technology and health care sectors, detracted from performance during the period. An overweight position in financials contributed to performance.

Positive stock selection in the industrials, financials and energy sectors contributed to performance. Conversely, stock selection in the health care sector hindered the Portfolio's performance.

Despite the volatility we have seen in the S&P 500 so far this year, we believe corporate earnings are experiencing a bull market of sorts. And while investors fled from risk in the second quarter, we think there is a good chance that they will once again move up the risk curve over the coming months, which would generally be positive for the market and the Portfolio.

James D. Oelschlager

Portfolio Manager

Oak Associates, Ltd., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio may concentrate investments in specific sectors, which creates special risk considerations. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index which consists of those stocks in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

"Overweight" means the Portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the Portfolio holds a lower weighting.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Oak Strategic Equity VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Information Technology	51%	49%
Health Care	20%	21%
Financials	12%	11%
Industrials	9%	7%
Energy	4%	—
Consumer Discretionary	4%	12%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 162. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Oak Strategic Equity VIP

	Shares	Value ($)
Common Stocks 99.1%		
Consumer Discretionary 3.8%		
Internet & Catalog Retail		
Amazon.com, Inc.* (a)	62,000	**2,398,160**
Energy 3.8%		
Energy Equipment & Services		
Baker Hughes, Inc.	30,000	**2,455,500**
Financials 12.2%		
Capital Markets 7.6%		
Charles Schwab Corp.	302,400	**4,832,352**
Diversified Financial Services 4.6%		
Citigroup, Inc.	61,600	**2,971,584**
Health Care 20.1%		
Biotechnology 4.3%		
Amgen, Inc.*	42,300	**2,759,229**
Health Care Equipment & Supplies 3.7%		
Medtronic, Inc.	50,000	**2,346,000**
Health Care Providers & Services 2.2%		
UnitedHealth Group, Inc.	31,000	**1,388,180**
Life Sciences Tools & Services 2.3%		
Affymetrix, Inc.* (a)	57,000	**1,459,200**
Pharmaceuticals 7.6%		
Pfizer, Inc.	96,200	2,257,814
Teva Pharmaceutical Industries Ltd. (ADR)	83,000	2,621,970
		4,879,784
Industrials 9.2%		
Electrical Equipment 3.8%		
Rockwell Automation, Inc.	34,000	**2,448,340**
Machinery 5.4%		
Caterpillar, Inc.	45,800	**3,411,184**
Information Technology 50.0%		
Communications Equipment 14.8%		
Cisco Systems, Inc.*	197,100	3,849,363
Juniper Networks, Inc.*	134,900	2,157,051
QUALCOMM, Inc.	85,600	3,429,992
		9,436,406
Computers & Peripherals 1.8%		
Avid Technology, Inc.* (a)	35,000	**1,166,550**
Internet Software & Services 9.4%		
eBay, Inc.*	101,200	2,964,148
Google, Inc. "A"*	7,200	3,019,176
		5,983,324
IT Services 6.7%		
Cognizant Technology Solutions Corp. "A"*	63,000	**4,244,310**
Semiconductors & Semiconductor Equipment 13.6%		
Applied Materials, Inc.	183,400	2,985,752
Linear Technology Corp.	93,100	3,117,919
Maxim Integrated Products, Inc.	80,950	2,599,304
		8,702,975
Software 3.7%		
Electronic Arts, Inc.*	55,000	**2,367,200**
Total Common Stocks (Cost $59,635,820)		**63,250,278**
Securities Lending Collateral 7.4%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $4,712,400)	4,712,400	**4,712,400**
Cash Equivalents 0.7%		
Cash Management QP Trust, 5.07% (d) (Cost $441,884)	441,884	**441,884**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $64,790,104)†	107.2	**68,404,562**
Other Assets and Liabilities, Net	(7.2)	**(4,578,753)**
Net Assets	100.0	**63,825,809**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $64,798,630. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $3,605,932. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $8,943,342 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,337,410.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $4,521,519 which is 7.1% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $59,635,820) — including $4,521,519 of securities loaned	$	63,250,278
Investment in Daily Assets Fund Institutional (cost $4,712,400)*		4,712,400
Investment in Cash Management QP Trust (cost $441,884)		441,884
Total investments in securities, at value (cost $64,790,104)		68,404,562
Interest receivable		1,952
Receivable for Portfolio shares sold		245,306
Other assets		1,152
Total assets		68,652,972

Liabilities		
Payable for Portfolio shares redeemed		9,991
Payable upon return of securities loaned		4,712,400
Accrued management fee		43,853
Other accrued expenses and payables		60,919
Total liabilities		4,827,163
Net assets, at value	**$**	**63,825,809**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(82,723)
Net unrealized appreciation (depreciation) on investments		3,614,458
Accumulated net realized gain (loss)		(10,806,503)
Paid-in capital		71,100,577
Net assets, at value	**$**	**63,825,809**
Class A		
Net Asset Value, offering and redemption price per share ($45,132,437 ÷ 7,291,862 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.19**
Class B		
Net Asset Value, offering and redemption price per share ($18,693,372 ÷ 3,062,296 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.10**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $2,249)	$	285,009
Interest — Cash Management QP Trust		11,163
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		1,325
Total Income		297,497
Expenses:		
Management fee		265,231
Custodian and accounting fees		29,836
Distribution service fees (Class B)		24,976
Record keeping fees (Class B)		14,136
Auditing		24,597
Legal		6,316
Trustees' fees and expenses		8,296
Reports to shareholders		13,576
Other		2,987
Total expenses before expense reductions		389,951
Expense reductions		(9,874)
Total expenses after expense reductions		380,077
Net investment income (loss)		**(82,580)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		(1,061,504)
Net unrealized appreciation (depreciation) during the period on investments		(3,790,917)
Net gain (loss) on investment transactions		**(4,852,421)**
Net increase (decrease) in net assets resulting from operations	**$**	**(4,935,001)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ (82,580)	$ (356,726)
Net realized gain (loss) on investment transactions	(1,061,504)	1,188,803
Net unrealized appreciation (depreciation) during the period on investment transactions	(3,790,917)	(4,994,935)
Net increase (decrease) in net assets resulting from operations	(4,935,001)	(4,162,858)
Distributions to shareholders from:		
Net investment income:		
Class A	—	(9,542)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	912,217	2,962,547
Reinvestment of distributions	—	9,542
Cost of shares redeemed	(7,029,268)	(15,883,679)
Net increase (decrease) in net assets from Class A share transactions	(6,117,051)	(12,911,590)
Class B		
Proceeds from shares sold	1,212,820	3,152,311
Cost of shares redeemed	(1,539,230)	(3,375,229)
Net increase (decrease) in net assets from Class B share transactions	(326,410)	(222,918)
Increase (decrease) in net assets	(11,378,462)	(17,306,908)
Net assets at beginning of period	75,204,271	92,511,179
Net assets at end of period (including accumulated net investment loss and accumulated distributions in excess of net investment income of $82,723 and $143, respectively)	**$ 63,825,809**	**$ 75,204,271**

Other Information		
Class A		
Shares outstanding at beginning of period	8,210,458	10,189,476
Shares sold	139,129	457,824
Shares issued to shareholders in reinvestment of distributions	—	1,534
Shares redeemed	(1,057,725)	(2,438,376)
Net increase (decrease) in Class A shares	(918,596)	(1,979,018)
Shares outstanding at end of period	**7,291,862**	**8,210,458**
Class B		
Shares outstanding at beginning of period	3,110,602	3,140,946
Shares sold	188,067	492,232
Shares redeemed	(236,373)	(522,576)
Net increase (decrease) in Class B shares	(48,306)	(30,344)
Shares outstanding at end of period	**3,062,296**	**3,110,602**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.67**	**$ 6.95**	**$ 6.86**	**$ 4.58**	**$ 7.60**	**$10.00**
Income (loss) from investment operations:						
Net investment income (loss)[c]	(.00)[d]	(.02)	.01	(.03)	(.02)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.48)	(.26)	.08	2.31	(3.00)	(2.38)
Total from investment operations	(.48)	(.28)	.09	2.28	(3.02)	(2.40)
Less distributions from:						
Net investment income	—	(.00)[d]	—	—	—	—
Net asset value, end of period	**$ 6.19**	**$ 6.67**	**$ 6.95**	**$ 6.86**	**$ 4.58**	**$ 7.60**
Total Return (%)	(7.20)**	(4.01)	1.31	49.78	(39.74)	(24.00)[e]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	45	55	71	76	41	44
Ratio of expenses before expense reductions (%)	.99*	1.10	1.10	1.13	.96	1.44*
Ratio of expenses after expense reductions (%)	.99*	1.10	1.10	1.13	.96	1.15*
Ratio of net investment income (%)	(.15)*	(.35)	.08	(.48)	(.30)	(.43)*
Portfolio turnover rate (%)	11*	19	39	6	16	3*

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from May 1, 2001 (commencement of operations of Class A) to December 31, 2001.*
c *Based on average shares outstanding during the period.*
d *Amount is less than $.005.*
e *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$ 6.58**	**$ 6.89**	**$ 6.83**	**$ 4.58**	**$ 5.04**
Income (loss) from investment operations:					
Net investment income (loss)[c]	(.01)	(.04)	(.02)	(.06)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.47)	(.27)	.08	2.31	(.44)
Total from investment operations	(.48)	(.31)	.06	2.25	(.46)
Net asset value, end of period	**$ 6.10**	**$ 6.58**	**$ 6.89**	**$ 6.83**	**$ 4.58**
Total Return (%)	(7.29)[d]**	(4.50)[d]	.88	49.13	(9.13)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	19	20	22	10	.4
Ratio of expenses before expense reductions (%)	1.39*	1.50	1.49	1.52	1.21*
Ratio of expenses after expense reductions (%)	1.30*	1.46	1.49	1.52	1.21*
Ratio of net investment income (%)	(.46)*	(.71)	(.20)	(.87)	(.68)*
Portfolio turnover rate (%)	11*	19	39	6	16

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Small Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses for Class B; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,034.10	$1,032.30
Expenses Paid per $1,000*	$ 3.58	$ 5.49
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,021.27	$1,019.39
Expenses Paid per $1,000*	$ 3.56	$ 5.46

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Small Cap Growth VIP	.71%	1.09%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Small Cap Growth VIP

Stock market performance during the first and second quarters of the year contrasted sharply. While all size and style segments benefited from strong positive returns during the first quarter (as measured by the world of Russell Indices), only large-cap value stocks, as measured by the Russell 1000 Value Index, were spared from negative returns in the second quarter. Resource utilization is high within the US economy, and some measures of inflation expectations have edged up slightly (as have recent core inflation readings). Equities face more uncertainty as the economy navigates a narrow channel between potential overheating (with significantly higher inflation) and subpar growth.

For its most recent semiannual period, the Portfolio returned 3.41% (Class A shares, unadjusted for contract charges), underperforming the 6.07% return of the Russell 2000 Growth Index.

Detractors from performance for the period ended June 30, 2006 included stock selection in the information technology, financials and energy sectors; underweights to industrials and materials; and an overweight to health care relative to the benchmark. Positive contributors included stock selection in the health care, consumer discretionary and telecommunication services sectors as well as our overweights to energy and information technology relative to the benchmark. We continue to maintain a long-term perspective, investing in quality small-cap growth stocks, as we weather the recent difficult market conditions.

Robert S. Janis
Portfolio Manager
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Finally, derivatives may be more volatile and less liquid than traditional securities and the Portfolio could suffer losses on its derivatives positions. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Russell 2000 Growth Index is an unmanaged, capitalization-weighted measure of 2,000 of the smallest capitalized US companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX and Nasdaq.

The Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Small Cap Growth VIP

Asset Allocation (Excludes Security Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	99%	99%
Cash Equivalent	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Information Technology	23%	23%
Consumer Discretionary	22%	17%
Health Care	22%	30%
Energy	13%	9%
Financials	10%	12%
Industrials	6%	4%
Consumer Staples	3%	4%
Telecommunication Services	1%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 169. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Small Cap Growth VIP

	Shares	Value ($)
Common Stocks 98.7%		
Consumer Discretionary 22.1%		
Hotels Restaurants & Leisure 11.7%		
Buffalo Wild Wings, Inc.* (a)	91,100	3,490,041
Chipotle Mexican Grill, Inc. "A"*	110,200	6,716,690
McCormick & Schmick's Seafood Restaurants, Inc.*	172,100	4,095,980
Orient-Express Hotels Ltd. "A"	142,200	5,523,048
Red Robin Gourmet Burgers, Inc.* (a)	111,600	4,749,696
Shuffle Master, Inc.* (a)	94,900	3,110,822
Texas Roadhouse, Inc. "A"*	296,500	4,008,680
		31,694,957
Household Durables 2.2%		
Jarden Corp.* (a)	194,250	**5,914,912**
Internet & Catalog Retail 1.0%		
Stamps.com, Inc.*	97,800	**2,720,796**
Leisure Equipment & Products 0.9%		
MarineMax, Inc.* (a)	92,000	**2,413,160**
Specialty Retail 4.4%		
Guess?, Inc.*	227,700	9,506,475
Hot Topic, Inc.*	210,000	2,417,100
		11,923,575
Textiles, Apparel & Luxury Goods 1.9%		
Under Armour, Inc. "A"* (a)	124,900	**5,323,238**
Consumer Staples 2.6%		
Personal Products		
Herbalife Ltd.*	174,100	**6,946,590**
Energy 13.2%		
Energy Equipment & Services 6.1%		
Atwood Oceanics, Inc.*	113,200	5,614,720
Complete Production Services, Inc.*	114,000	2,694,960
Grey Wolf, Inc.*	662,000	5,097,400
Hornbeck Offshore Services, Inc.*	87,500	3,108,000
		16,515,080
Oil, Gas & Consumable Fuels 7.1%		
Aventine Renewable Energy Holdings, Inc.*	10,300	400,670
Carrizo Oil & Gas, Inc.*	242,200	7,583,282
EXCO Resources, Inc.*	214,600	2,446,440
Foundation Coal Holdings, Inc.	104,900	4,922,957
Western Refining, Inc.	178,400	3,849,872
		19,203,221
Financials 9.4%		
Capital Markets 2.5%		
optionsXpress Holdings, Inc.	181,500	4,230,765
Thomas Weisel Partners Group, Inc.*	127,900	2,431,379
		6,662,144
Commercial Banks 3.9%		
PrivateBancorp, Inc. (a)	107,600	4,455,716
Signature Bank*	187,600	6,074,488
		10,530,204
Diversified Financial Services 1.0%		
Portfolio Recovery Associates, Inc.*	62,470	**2,854,879**
Insurance 2.0%		
National Financial Partners Corp.	123,600	**5,476,716**
Health Care 21.7%		
Health Care Equipment & Supplies 6.6%		
Hologic, Inc.*	104,700	5,167,992
Sirona Dental Systems, Inc.	83,000	3,288,460
SonoSite, Inc.* (a)	77,800	3,037,312
Viasys Healthcare, Inc.*	143,900	3,683,840
West Pharmaceutical Services, Inc.	75,000	2,721,000
		17,898,604
Health Care Providers & Services 12.5%		
Amedisys, Inc.* (a)	156,200	5,919,980
AMERIGROUP Corp.*	272,300	8,452,192
Centene Corp.*	275,500	6,482,515
HealthExtras, Inc.*	114,700	3,466,234
LCA-Vision, Inc.	110,400	5,841,264
Providence Service Corp.*	135,000	3,676,050
		33,838,235
Health Care Technology 2.6%		
Allscripts Healthcare Solutions, Inc.* (a)	165,700	2,908,035
Eclipsys Corp.*	224,400	4,075,104
		6,983,139
Industrials 5.7%		
Aerospace & Defense 1.0%		
BE Aerospace, Inc.*	117,500	**2,686,050**
Electrical Equipment 1.5%		
Energy Conversion Devices, Inc.*	114,100	**4,156,663**
Machinery 2.0%		
Actuant Corp. "A"	107,600	**5,374,620**
Trading Companies & Distributors 1.2%		
H&E Equipment Services, Inc.* (a)	110,400	**3,251,280**
Information Technology 22.8%		
Communications Equipment 1.8%		
Foundry Networks, Inc.*	449,500	**4,791,670**
Computers & Peripherals 1.3%		
Rackable Systems, Inc.*	90,000	**3,554,100**
Electronic Equipment & Instruments 2.2%		
Itron, Inc.*	99,300	**5,884,518**
Internet Software & Services 7.4%		
Digital River, Inc.*	201,300	8,130,507
j2 Global Communications, Inc.* (a)	238,300	7,439,726
Openwave Systems, Inc.* (a)	393,600	4,542,144
		20,112,377
IT Services 2.9%		
Euronet Worldwide, Inc.*	203,200	**7,796,784**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Semiconductors & Semiconductor Equipment 6.0%		
FormFactor, Inc.*	194,700	8,689,461
Silicon Laboratories, Inc.* (a)	91,800	3,226,770
Trident Microsystems, Inc.*	230,600	4,376,788
		16,293,019
Software 1.2%		
THQ, Inc.*	149,650	**3,232,440**
Telecommunication Services 1.2%		
Wireless Telecommunication Services		
SBA Communications Corp. "A"*	125,100	**3,270,114**
Total Common Stocks (Cost $230,304,359)		**267,303,085**

Securities Lending Collateral 14.2%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $38,491,850)	38,491,850	**38,491,850**

Cash Equivalents 1.5%

	Shares	Value ($)
Cash Management QP Trust, 5.07% (d) (Cost $4,147,368)	4,147,368	**4,147,368**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $272,943,577)†	114.4	**309,942,303**
Other Assets and Liabilities, Net	(14.4)	**(39,103,084)**
Net Assets	100.0	**270,839,219**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $273,010,310. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $36,931,993. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $51,065,421 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $14,133,428.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $37,605,605 which is 13.9% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $230,304,359) — including $37,605,605 of securities loaned	$	267,303,085
Investment in Daily Assets Fund Institutional (cost $38,491,850)*		38,491,850
Investment in Cash Management QP Trust (cost $4,147,368)		4,147,368
Total investments in securities, at value (cost $272,943,577)		309,942,303
Receivable for investments sold		321,510
Dividends receivable		25,676
Interest receivable		27,488
Receivable for Portfolio shares sold		349,801
Other assets		3,515
Total assets		310,670,293
Liabilities		
Payable for Fund shares redeemed		61,320
Payable for investments purchased		1,070,912
Payable upon return of securities loaned		38,491,850
Accrued management fee		141,673
Other accrued expenses and payables		65,319
Total liabilities		39,831,074
Net assets, at value	**$**	**270,839,219**
Net Assets		
Net assets consist of:		
Accumulated net investment loss		(581,365)
Net unrealized appreciation (depreciation) on investments		36,998,726
Accumulated net realized gain (loss)		(113,205,070)
Paid-in capital		347,626,928
Net assets, at value	**$**	**270,839,219**
Class A		
Net Asset Value, offering and redemption price per share ($232,307,734 ÷ 16,663,175 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.94**
Class B		
Net Asset Value, offering and redemption price per share ($38,531,485 ÷ 2,803,207 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.75**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends	$	379,192
Interest — Cash Management QP Trust		94,114
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		47,312
Total Income		520,618
Expenses:		
Management fee		926,143
Custodian fees		9,131
Distribution service fees (Class B)		50,146
Record keeping fees (Class B)		27,071
Auditing		29,795
Legal		8,110
Trustees' fees and expenses		13,075
Reports to shareholders		22,660
Other		10,457
Total expenses before expense reductions		1,096,588
Expense reductions		(5,860)
Total expenses after expense reductions		1,090,728
Net investment income (loss)		**(570,110)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		22,419,746
Net unrealized appreciation (depreciation) during the period on investments		(11,563,231)
Net gain (loss) on investment transactions		**10,856,515**
Net increase (decrease) in net assets resulting from operations	**$**	**10,286,405**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ (570,110)	$ (1,349,056)
Net realized gain (loss) on investment transactions	22,419,746	24,013,018
Net realized gains on investments not meeting investment guidelines of the Portfolio	—	49,496
Net unrealized appreciation (depreciation) during the period on investment transactions	(11,563,231)	(117,156)
Net increase (decrease) in net assets resulting from operations	10,286,405	22,596,302
Portfolio share transactions:		
Class A		
Proceeds from shares sold	8,434,558	24,384,647
Net assets acquired in tax free reorganization	—	37,649,364
Cost of shares redeemed	(28,180,418)	(48,722,289)
Net increase (decrease) in net assets from Class A share transactions	(19,745,860)	13,311,722
Class B		
Proceeds from shares sold	1,556,524	11,204,648
Net assets acquired in tax free reorganization	—	7,786,470
Cost of shares redeemed	(3,093,358)	(11,469,498)
Net increase (decrease) in net assets from Class B share transactions	(1,536,834)	7,521,620
Increase (decrease) in net assets	(10,996,289)	43,429,644
Net assets at beginning of period	281,835,508	238,405,864
Net assets at end of period (including accumulated net investment loss of $581,365 and $11,255, respectively)	**$ 270,839,219**	**$ 281,835,508**

Other Information		
Class A		
Shares outstanding at beginning of period	18,035,147	16,708,714
Shares sold	586,923	1,926,487
Shares issued in tax free reorganization	—	3,256,621
Shares redeemed	(1,958,895)	(3,856,675)
Net increase (decrease) in Class A shares	(1,371,972)	1,326,433
Shares outstanding at end of period	**16,663,175**	**18,035,147**
Class B		
Shares outstanding at beginning of period	2,908,589	2,250,352
Shares sold	112,469	951,158
Shares issued in tax free reorganization	—	680,062
Shares redeemed	(217,851)	(972,983)
Net increase (decrease) in Class B shares	(105,382)	658,237
Shares outstanding at end of period	**2,803,207**	**2,908,589**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$13.48**	**$12.59**	**$11.34**	**$ 8.53**	**$12.80**	**$21.64**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.02)	(.06)	(.05)	(.04)	(.02)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.48	.95	1.30	2.85	(4.25)	(6.27)
Total from investment operations	.46	.89	1.25	2.81	(4.27)	(6.29)
Less distributions from:						
Net realized gain on investment transactions	—	—	—	—	—	(2.52)
Return of capital	—	—	—	—	—	(.03)
Total distributions	—	—	—	—	—	(2.55)
Net asset value, end of period	**$13.94**	**$13.48**	**$12.59**	**$11.34**	**$ 8.53**	**$12.80**
Total Return (%)	3.41**	7.07[c]	11.02	32.94	(33.36)	(28.91)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	232	243	210	210	154	232
Ratio of expenses (%)	.71*	.72	.71	.69	.71	.68
Ratio of net investment income (loss) (%)	(.35)*	(.47)	(.47)	(.41)	(.24)	(.12)
Portfolio turnover rate (%)	93*	94	117	123	68	143

a *For the six months ended June 30, 2006 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *In 2005, the Portfolio realized a gain of $49,496 on the disposal of an investment not meeting the Portfolio's investment restrictions. This violation had no negative impact on the total return.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$13.32**	**$12.48**	**$11.29**	**$ 8.52**	**$ 9.39**
Income (loss) from investment operations:					
Net investment income (loss)[c]	(.05)	(.11)	(.10)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.48	.95	1.29	2.86	(.85)
Total from investment operations	.43	.84	1.19	2.77	(.87)
Net asset value, end of period	**$13.75**	**$13.32**	**$12.48**	**$11.29**	**$ 8.52**
Total Return (%)	3.23[d]**	6.73[d,e]	10.54	32.51	(9.27)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	39	39	28	15	.5
Ratio of expenses before expense reductions (%)	1.10*	1.12	1.10	1.08	.96*
Ratio of expenses after expense reductions (%)	1.09*	1.09	1.09	1.08	.96*
Ratio of net investment income (loss) (%)	(.73)*	(.84)	(.85)	(.80)	(.39)*
Portfolio turnover rate (%)	93*	94	117	123	68

a *For the six months ended June 30, 2006 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *Total return would have been lower had certain expenses not been reduced.*

e *In 2005, the Portfolio realized a gain of $49,496 on the disposal of an investment not meeting the Portfolio's investment restrictions. This violation had no negative impact on the total return.*

* *Annualized*

** *Not annualized*

Information About Your Portfolio's Expenses

DWS Strategic Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses for Class B shares; had it not done so, expenses for Class B shares would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,019.60	$1,019.00
Expenses Paid per $1,000*	$ 4.41	$ 5.96
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.43	$1,018.89
Expenses Paid per $1,000*	$ 4.41	$ 5.96

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Strategic Income VIP	.88%	1.19%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Strategic Income VIP

For the period ending June 30, 2006, performance of the bond markets was mixed. Credit markets began to show more volatility as a result of investors' concerns over rising interest rates, inflation and higher commodity prices. Despite these concerns, high-yield debt continued to exhibit sound fundamentals and outperformed most other fixed-income asset classes. Overall, emerging-market debt securities continued to be supported by strong fundamentals, but were not immune to the late-period sell-off in the global markets. As interest rates continued to rise, the US Treasury yield curve inverted and remained relatively flat. Lastly, the performance of unhedged international bonds was helped by strength in currencies such as the euro, British pound, Swedish krona and Japanese yen.

The Portfolio posted a 1.96% total return for the period ending June 30, 2006 (Class A shares, unadjusted for contract charges). This compares with the Portfolio benchmarks' returns of –0.72% for the JP Morgan Emerging Markets Bond Plus Index, 3.01% for the Merrill Lynch High Yield Cash Pay Only Index, –1.29% for the Lehman Brothers US Treasury Index and 2.75% for the Citigroup World Government Bond Index (US dollar terms — unhedged). In terms of detractors, the fact that the Portfolio's holdings in US Treasury holdings were a greater percentage of the Portfolio than that of our peers was a negative for relative performance.

We modestly decreased our exposure to both high-yield bonds and emerging-markets debt as spreads in these two asset classes tightened, and we sought to lock in gains. Not surprisingly then, our allocation to high yield helped returns. The Portfolio is also invested in high quality sovereign, agency and provincial bonds, including US Treasuries and debt issues from the European Union, the UK and Japan. Our resulting euro, pound and yen currency exposures helped returns as these currencies appreciated against the US dollar for the period.

	William Chepolis, CFA
Gary Sullivan, CFA	Matthew F. MacDonald
Lead Portfolio Manager	*Portfolio Managers*

Deutsche Investment Management Americas Inc

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond investment, can decline and the investor can lose principal value. Additionally, investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Finally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The JP Morgan Emerging Markets Bond Plus Index is an unmanaged foreign securities index of US dollar and other external-currency-denominated Brady bonds, loans, Eurobonds and local market debt instruments traded in emerging markets.

Merrill Lynch High Yield Cash Pay Only Index is an unmanaged index of corporate bonds that pay cash coupons, meet a minimum size threshold, and have a Merrill Lynch composite rating lower than BBB3.

The Lehman Brothers US Treasury Index is an unmanaged index reflecting the performance of all public obligations and does not focus on one particular segment of the Treasury market.

The Citigroup World Government Bond Index (formerly known as Salomon Smith Barney World Government Bond Index) is an unmanaged index comprised of government bonds from 18 developed countries, including the US, with maturities greater than one year.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Strategic Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Corporate Bonds	28%	35%
Foreign Bonds — US$ Denominated	27%	24%
US Treasury Obligations	20%	15%
Foreign Bonds — Non US$ Denominated	14%	18%
Cash Equivalents	7%	5%
US Government Sponsored Agencies	4%	2%
Other	—	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
AAA*	33%	31%
AA	2%	1%
A	5%	4%
BBB	6%	6%
BB	21%	20%
B	20%	25%
CCC	5%	5%
Not Rated	8%	8%
	100%	100%

* *Includes cash equivalents*

Interest Rate Sensitivity	**6/30/06**	**12/31/05**
Average maturity	8.4 years	7.6 years
Average duration	5.7 years	5.0 years

Asset allocation, quality and interest rate sensitivity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's credit quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 177. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

		Principal Amount ($)(a)	Value ($)
Corporate Bonds 27.7%			
Consumer Discretionary 7.3%			
Affinia Group, Inc., 9.0%, 11/30/2014 (b)		90,000	81,675
AMC Entertainment, Inc., 8.0%, 3/1/2014 (b)		145,000	132,856
Aztar Corp., 7.875%, 6/15/2014		200,000	211,500
Cablevision Systems Corp., Series B, 9.62%**, 4/1/2009		25,000	26,500
Caesars Entertainment, Inc., 8.875%, 9/15/2008		50,000	52,500
Charter Communications Holdings LLC:			
8.625%, 4/1/2009 (b)		10,000	7,700
9.625%, 11/15/2009		10,000	7,700
10.25%, 9/15/2010		325,000	325,812
144A, 10.25%, 9/15/2010		80,000	80,000
11.0%, 10/1/2015		311,000	272,125
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014 (b)		50,000	39,438
CSC Holdings, Inc.:			
7.25%, 7/15/2008		50,000	50,063
7.875%, 12/15/2007		180,000	182,250
Dex Media East LLC/Financial, 12.125%, 11/15/2012		476,000	534,310
Dura Operating Corp., Series B, 8.625%, 4/15/2012 (b)		120,000	102,000
EchoStar DBS Corp.:			
6.625%, 10/1/2014		15,000	14,100
144A, 7.125%, 2/1/2016		50,000	48,125
Foot Locker, Inc., 8.5%, 1/15/2022		65,000	65,569
Ford Motor Co., 7.45%, 7/16/2031 (b)		35,000	25,288
French Lick Resorts & Casinos, 144A, 10.75%, 4/15/2014		270,000	258,525
Friendly Ice Cream Corp., 8.375%, 6/15/2012 (b)		40,000	34,400
General Motors Corp.:			
8.25%, 7/15/2023 (b)		145,000	114,187
8.375%, 7/15/2033 (b)		105,000	84,525
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011		265,000	290,837
Gregg Appliances, Inc., 9.0%, 2/1/2013		25,000	23,063
Hertz Corp., 144A, 8.875%, 1/1/2014		130,000	133,250
ION Media Networks, Inc., 144A, 11.318%**, 1/15/2013		40,000	40,100
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		200,000	188,750
Jacobs Entertainment, Inc., 144A, 9.75%, 6/15/2014		130,000	130,650
Lear Corp.:			
Series B, 5.75%, 8/1/2014		10,000	8,150
Series B, 8.11%, 5/15/2009 (b)		135,000	131,625
Levi Strauss & Co., 9.74%**, 4/1/2012 (b)		40,000	40,700
Liberty Media Corp.:			
5.7%, 5/15/2013 (b)		10,000	9,081
8.25%, 2/1/2030 (b)		50,000	47,857
8.5%, 7/15/2029 (b)		95,000	92,394
Linens 'n Things, Inc., 144A, 10.702%**, 1/15/2014 (b)		60,000	56,850
Metaldyne Corp.:			
10.0%, 11/1/2013 (b)		45,000	43,538
11.0%, 6/15/2012 (b)		10,000	8,500
MGM MIRAGE:			
8.375%, 2/1/2011 (b)		45,000	46,125
9.75%, 6/1/2007		70,000	71,925
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010		95,000	100,344
NCL Corp., 10.625%, 7/15/2014		25,000	24,563
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012		135,000	109,350
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013 (b)		250,000	260,625
Pokagon Gaming Authority, 144A, 10.375%, 6/15/2014		30,000	31,013
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012		335,000	345,887
PRIMEDIA, Inc.:			
8.875%, 5/15/2011 (b)		65,000	62,400
10.545%**, 5/15/2010		115,000	117,444
Resorts International Hotel & Casino, Inc., 11.5%, 3/15/2009		280,000	302,400
Rexnord Corp., 10.125%, 12/15/2012		40,000	44,294
Sinclair Broadcast Group, Inc., 8.75%, 12/15/2011		260,000	271,700
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013 (b)		120,000	112,500
Six Flags, Inc.:			
8.875%, 2/1/2010		20,000	19,000
9.75%, 4/15/2013 (b)		175,000	160,781
The Bon-Ton Department Stores, Inc., 144A, 10.25%, 3/15/2014 (b)		65,000	60,287
Toys "R" Us, Inc., 7.375%, 10/15/2018		35,000	24,806
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015 (b)		310,000	297,987
TRW Automotive, Inc.:			
11.0%, 2/15/2013		235,000	256,737
11.75%, 2/15/2013	EUR	40,000	58,453
United Auto Group, Inc., 9.625%, 3/15/2012		230,000	240,350
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009		45,000	46,519
XM Satellite Radio, Inc., 144A, 9.75%, 5/1/2014 (b)		270,000	247,050
Young Broadcasting, Inc., 8.75%, 1/15/2014 (b)		390,000	325,650
			7,634,683
Consumer Staples 0.9%			
Alliance One International, Inc., 11.0%, 5/15/2012		40,000	38,000
Birds Eye Foods, Inc., 11.875%, 11/1/2008		95,000	96,781
Del Laboratories, Inc., 8.0%, 2/1/2012 (b)		60,000	49,875
Delhaize America, Inc.:			
8.05%, 4/15/2027 (b)		20,000	19,507
9.0%, 4/15/2031		285,000	312,534

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Harry & David Holdings, Inc., 10.231%**, 3/1/2012	55,000	52,250
North Atlantic Trading Co., 9.25%, 3/1/2012	105,000	84,525
Swift & Co.:		
10.125%, 10/1/2009 (b)	35,000	35,612
12.5%, 1/1/2010 (b)	10,000	9,950
Viskase Co., Inc., 11.5%, 6/15/2011	225,000	232,594
		931,628
Energy 2.8%		
Belden & Blake Corp., 8.75%, 7/15/2012	265,000	268,975
Chaparral Energy, Inc., 144A, 8.5%, 12/1/2015	140,000	139,300
Chesapeake Energy Corp.:		
6.25%, 1/15/2018 (b)	70,000	63,875
6.875%, 1/15/2016 (b)	170,000	160,650
7.75%, 1/15/2015 (b)	30,000	30,075
Delta Petroleum Corp., 7.0%, 4/1/2015	130,000	120,900
Dynegy Holdings, Inc.:		
7.625%, 10/15/2026	150,000	131,250
144A, 8.375%, 5/1/2016	130,000	128,050
El Paso Production Holding Corp., 7.75%, 6/1/2013	100,000	100,750
Frontier Oil Corp., 6.625%, 10/1/2011	180,000	172,350
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	165,000	165,000
Plains Exploration & Production Co.:		
7.125%, 6/15/2014	90,000	88,650
Series B, 8.75%, 7/1/2012	55,000	57,613
Range Resources Corp., 7.5%, 5/15/2016	30,000	29,625
Southern Natural Gas, 8.875%, 3/15/2010	205,000	216,532
Stone Energy Corp.:		
6.75%, 12/15/2014	285,000	286,069
144A, 8.24%**, 7/15/2010	185,000	185,000
Transmeridian Exploration, Inc., 144A, 12.0%, 12/15/2010	65,000	65,650
Williams Companies, Inc.:		
8.125%, 3/15/2012	335,000	347,562
8.75%, 3/15/2032	155,000	168,562
		2,926,438
Financials 4.3%		
AAC Group Holding Corp., 144A, 12.75%, 10/1/2012 (PIK) (b)	40,000	40,000
Alamosa Delaware, Inc., 11.0%, 7/31/2010	75,000	82,125
Ashton Woods USA LLC, 9.5%, 10/1/2015	140,000	123,900
Dow Jones CDX HY:		
Series 6-T2, 144A, 7.375%, 6/29/2011	500,000	492,500
Series 6-T1, 144A, 8.625%, 6/29/2011	165,000	161,906
E*TRADE Financial Corp.:		
7.375%, 9/15/2013	35,000	35,000
7.875%, 12/1/2015	30,000	30,750
8.0%, 6/15/2011	75,000	76,500
Ford Motor Credit Co.:		
7.25%, 10/25/2011	365,000	323,782
7.375%, 10/28/2009	840,000	776,612
7.875%, 6/15/2010 (b)	180,000	166,049
General Motors Acceptance Corp.:		
6.875%, 9/15/2011	885,000	844,432
8.0%, 11/1/2031 (b)	386,000	371,004
H&E Equipment/Finance:		
11.125%, 6/15/2012	55,000	60,736
12.5%, 6/15/2013	25,000	28,092
Ipayment, Inc., 144A, 9.75%, 5/15/2014	45,000	44,775
Poster Financial Group, Inc., 8.75%, 12/1/2011	180,000	187,200
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	190,000	208,525
TIG Capital Holdings Trust, 144A, 8.597%, 1/15/2027	125,000	94,375
Triad Acquisition Corp., Series B, 11.125%, 5/1/2013	85,000	83,725
Universal City Development, 11.75%, 4/1/2010	205,000	223,194
		4,455,182
Health Care 0.4%		
HEALTHSOUTH Corp.:		
144A, 10.75%, 6/15/2016	115,000	112,700
144A, 11.418%**, 6/15/2014	20,000	19,950
Tenet Healthcare Corp., 144A, 9.5%, 2/1/2015	345,000	338,962
		471,612
Industrials 2.8%		
Allied Security Escrow Corp., 11.375%, 7/15/2011	90,000	87,300
Allied Waste North America, Inc., Series B, 9.25%, 9/1/2012	187,000	198,220
American Color Graphics, 10.0%, 6/15/2010 (b)	80,000	57,000
Avondale Mills, Inc., 144A, 11.5%**, 7/1/2012	75,000	77,250
Browning-Ferris Industries:		
7.4%, 9/15/2035	150,000	133,500
9.25%, 5/1/2021	65,000	65,975
Case New Holland, Inc., 9.25%, 8/1/2011	240,000	252,600
Cenveo Corp., 7.875%, 12/1/2013	155,000	151,125
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010 (b)	169,000	166,042
Compression Polymers Corp.:		
144A, 10.5%, 7/1/2013	195,000	198,900
144A, 11.44%**, 7/1/2012	45,000	45,900
Congoleum Corp., 8.625%, 8/1/2008*	125,000	123,750
DRS Technologies, Inc., 7.625%, 2/1/2018	100,000	99,500
Education Management LLC, 144A, 8.75%, 6/1/2014	45,000	44,550
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2016 (b)	160,000	138,800
8.875%, 4/1/2012 (b)	160,000	159,200
Kansas City Southern:		
7.5%, 6/15/2009	30,000	30,000
9.5%, 10/1/2008	250,000	261,875
Kinetek, Inc., Series D, 10.75%, 11/15/2006 (b)	190,000	189,050
Millennium America, Inc., 9.25%, 6/15/2008	65,000	66,625
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	20,000	22,150

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Ship Finance International Ltd., 8.5%, 12/15/2013	50,000	47,500
The Brickman Group Ltd., Series B, 11.75%, 12/15/2009	110,000	118,250
Xerox Capital Trust I, 8.0%, 2/1/2027	40,000	40,150
Xerox Corp., 6.4%, 3/15/2016	100,000	94,375
		2,869,587
Information Technology 1.3%		
L-3 Communications Corp.:		
5.875%, 1/15/2015	185,000	172,512
Series B, 6.375%, 10/15/2015	40,000	38,200
Lucent Technologies, Inc., 6.45%, 3/15/2029	530,000	450,500
Sanmina-SCI Corp., 8.125%, 3/1/2016	115,000	112,125
SunGard Data Systems, Inc., 144A, 10.25%, 8/15/2015	145,000	149,894
UGS Corp., 10.0%, 6/1/2012	145,000	155,875
Unisys Corp., 7.875%, 4/1/2008 (b)	255,000	255,000
		1,334,106
Materials 3.5%		
ARCO Chemical Co., 9.8%, 2/1/2020	340,000	399,500
Associated Materials, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014 (b)	45,000	27,113
Chemtura Corp., 6.875%, 6/1/2016	60,000	57,975
Constar International, Inc., 11.0%, 12/1/2012 (b)	20,000	15,000
Crown Cork & Seal Co., Inc., 7.5%, 12/15/2096	30,000	23,850
Crystal US Holdings, Series A, Step-up Coupon, 0% to 10/1/2009, 10% to 10/1/2014	35,000	27,738
Dayton Superior Corp.:		
10.75%, 9/15/2008	35,000	35,525
13.0%, 6/15/2009 (b)	75,000	65,437
Equistar Chemical Funding, 10.625%, 5/1/2011	120,000	128,850
Exopac Holding Corp., 144A, 11.25%, 2/1/2014	170,000	171,700
GEO Specialty Chemicals, Inc., 144A, 13.479%**, 12/31/2009	283,000	246,564
Greif, Inc., 8.875%, 8/1/2012	75,000	78,937
Hexcel Corp., 6.75%, 2/1/2015	80,000	74,800
Huntsman LLC, 11.625%, 10/15/2010	268,000	296,140
IMC Global, Inc., 10.875%, 8/1/2013	268,000	298,150
International Coal Group, Inc., 144A, 10.25%, 7/15/2014	70,000	69,912
International Steel Group, Inc., 6.5%, 4/15/2014	45,000	42,525
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014	100,000	71,500
Lyondell Chemical Co., 10.5%, 6/1/2013	25,000	27,500
Massey Energy Co.:		
6.625%, 11/15/2010	120,000	118,200
6.875%, 12/15/2013	60,000	55,800
Mueller Holdings, Inc., Step-up Coupon, 0% to 4/15/2009, 14.75% to 4/15/2014	282,000	236,880
Neenah Foundry Co.:		
144A, 11.0%, 9/30/2010	250,000	270,000
144A, 13.0%, 9/30/2013	94,000	94,470
OM Group, Inc., 9.25%, 12/15/2011 (b)	35,000	36,050
Omnova Solutions, Inc., 11.25%, 6/1/2010	180,000	190,800
Oregon Steel Mills, Inc., 10.0%, 7/15/2009	50,000	52,500
Oxford Automotive, Inc., 144A, 12.5%, 10/15/2010*	157,667	2,365
Pliant Corp., 11.625%, 6/15/2009 (PIK)	10	11
Radnor Holdings Corp., 11.0%, 3/15/2010	25,000	9,750
Rockwood Specialties Group, Inc., 10.625%, 5/15/2011	33,000	35,269
TriMas Corp., 9.875%, 6/15/2012	160,000	146,400
United States Steel Corp., 9.75%, 5/15/2010	120,000	127,800
Witco Corp., 6.875%, 2/1/2026	35,000	31,150
Wolverine Tube, Inc., 10.5%, 4/1/2009 (b)	55,000	45,650
		3,611,811
Telecommunication Services 1.6%		
American Cellular Corp., Series B, 10.0%, 8/1/2011	75,000	78,937
Centennial Communications Corp., 10.0%, 1/1/2013 (b)	40,000	39,600
Cincinnati Bell, Inc.:		
7.25%, 7/15/2013 (b)	230,000	226,550
8.375%, 1/15/2014 (b)	160,000	157,600
Dobson Communications Corp., 8.875%, 10/1/2013 (b)	65,000	63,863
Insight Midwest LP, 9.75%, 10/1/2009	50,000	51,000
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	400,000	407,151
PanAmSat Corp., 144A, 9.0%, 6/15/2016	85,000	86,275
Qwest Corp., 7.25%, 9/15/2025	130,000	121,550
Rural Cellular Corp.:		
9.75%, 1/15/2010 (b)	20,000	19,925
9.875%, 2/1/2010	45,000	46,294
144A, 10.899%**, 11/1/2012 (b)	20,000	20,525
Triton PCS, Inc., 8.5%, 6/1/2013	60,000	55,050
Ubiquitel Operating Co., 9.875%, 3/1/2011	60,000	65,250
US Unwired, Inc., Series B, 10.0%, 6/15/2012	120,000	133,200
Windstream Corp., 144A, 8.625%, 8/1/2016	135,000	138,037
		1,710,807
Utilities 2.8%		
AES Corp., 144A, 8.75%, 5/15/2013	605,000	647,350
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	350,000	371,875
CMS Energy Corp., 8.5%, 4/15/2011 (b)	335,000	349,237
Mirant North America LLC, 144A, 7.375%, 12/31/2013	10,000	9,650
Mission Energy Holding Co., 13.5%, 7/15/2008	435,000	485,025

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
NRG Energy, Inc.:		
7.25%, 2/1/2014	165,000	160,875
7.375%, 2/1/2016	305,000	297,375
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	395,000	426,600
Sierra Pacific Resources:		
6.75%, 8/15/2017	75,000	70,862
8.625%, 3/15/2014	45,000	47,671
		2,866,520
Total Corporate Bonds (Cost $28,967,623)		**28,812,374**

Foreign Bonds — US$ Denominated 26.4%

Consumer Discretionary 0.6%

	Principal Amount ($)(a)	Value ($)
Jafra Cosmetics International, Inc., 10.75%, 5/15/2011	280,000	300,300
Shaw Communications, Inc., 8.25%, 4/11/2010	65,000	67,112
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014 (b)	268,000	227,130
Vitro SA de CV, Series A, 144A, 12.75%, 11/1/2013 (b)	35,000	32,375
		626,917

Energy 1.6%

	Principal Amount ($)(a)	Value ($)
OAO Gazprom, 144A, 9.625%, 3/1/2013	200,000	229,250
Pemex Project Funding Master Trust:		
8.0%, 11/15/2011	530,000	560,210
9.5%, 9/15/2027	265,000	318,000
Petroliam Nasional Berhad:		
Series REG S, 7.625%, 10/15/2026	40,000	44,927
Series REG S, 7.75%, 8/15/2015	80,000	89,353
Petronas Capital Ltd., Series REG S, 7.875%, 5/22/2022	295,000	345,144
Secunda International Ltd., 13.068%**, 9/1/2012	75,000	78,375
		1,665,259

Financials 0.5%

	Principal Amount ($)(a)	Value ($)
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010	300,000	345,750
Doral Financial Corp., 5.91%**, 7/20/2007	155,000	147,645
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	60,000	49,200
		542,595

Health Care 0.2%

	Principal Amount ($)(a)	Value ($)
Biovail Corp., 7.875%, 4/1/2010	185,000	**187,313**

Industrials 0.5%

	Principal Amount ($)(a)	Value ($)
Grupo Transportacion Ferroviaria Mexicana SA de CV:		
9.375%, 5/1/2012	115,000	122,475
10.25%, 6/15/2007	290,000	298,700
12.5%, 6/15/2012	95,000	104,738
Stena AB, 9.625%, 12/1/2012	30,000	31,875
		557,788

Materials 0.8%

	Principal Amount ($)(a)	Value ($)
Cascades, Inc., 7.25%, 2/15/2013	170,000	157,250
ISPAT Inland ULC, 9.75%, 4/1/2014	197,000	217,192
Novelis, Inc., 144A, 7.25%, 2/15/2015	145,000	139,200
Rhodia SA, 8.875%, 6/1/2011	175,000	174,344
Tembec Industries, Inc., 8.625%, 6/30/2009	170,000	93,075
		781,061

Sovereign Bonds 20.9%

	Principal Amount ($)(a)	Value ($)
AID-Egypt, 4.45%, 9/15/2015	2,700,000	2,491,182
Aries Vermogensverwaltung GmbH, Series C REG S, 9.6%, 10/25/2014	500,000	622,805
Central Bank of Nigeria, Series WW, 6.25%, 11/15/2020	750,000	740,625
Dominican Republic:		
144A, 8.625%, 4/20/2027 (b)	180,000	179,100
Series REG S, 9.5%, 9/27/2011	321,713	337,799
Federative Republic of Brazil:		
8.75%, 2/4/2025	260,000	285,350
8.875%, 10/14/2019 (b)	695,000	774,230
11.0%, 1/11/2012	460,000	548,550
11.0%, 8/17/2040	485,000	601,400
14.5%, 10/15/2009	220,000	273,680
Government of Ukraine, Series REG S, 7.65%, 6/11/2013	350,000	351,750
Islamic Republic of Pakistan, 144A, 7.875%, 3/31/2036	345,000	319,125
Province of British Columbia, 4.625%, 10/3/2006	1,000,000	998,115
Republic of Argentina:		
Step-up Coupon, 1.33% to 3/31/2009, 2.5% to 3/31/2019, 3.75% to 3/31/2029, 5.25% to 12/31/2038	765,000	277,313
4.889%**, 8/3/2012 (PIK)	1,165,500	942,801
Republic of Bulgaria, Series REG S, 8.25%, 1/15/2015	70,000	79,198
Republic of Colombia:		
8.25%, 12/22/2014 (b)	265,000	278,250
10.0%, 1/23/2012	315,000	355,950
10.75%, 1/15/2013	45,000	52,988
Republic of Ecuador, Series REG S, Step-up Coupon, 9.0% to 8/15/2006, 10.0% to 8/15/2030	475,000	456,000
Republic of El Salvador, 144A, 7.65%, 6/15/2035	375,000	360,937
Republic of Indonesia:		
144A, 6.875%, 3/9/2017	560,000	545,300
Series REG S, 7.25%, 4/20/2015	235,000	237,056
Republic of Panama:		
7.125%, 1/29/2026 (b)	151,000	145,715
9.375%, 1/16/2023	570,000	672,600
Republic of Peru, 7.35%, 7/21/2025	300,000	288,000
Republic of Philippines:		
8.0%, 1/15/2016	340,000	348,500
8.375%, 2/15/2011	170,000	176,375
9.375%, 1/18/2017	455,000	505,050
Republic of Serbia, Series REG S, Step-up Coupon, 3.75% to 11/1/2009, 6.75% to 11/1/2024	395,000	326,862
Republic of South Africa, 7.375%, 4/25/2012 (b)	505,000	525,200
Republic of Turkey:		
6.875%, 3/17/2036 (b)	710,000	589,300
7.25%, 3/15/2015	50,000	46,938
7.375%, 2/5/2025	125,000	112,500
8.0%, 2/14/2034	90,000	84,600

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
11.75%, 6/15/2010	405,000	455,625
12.375%, 6/15/2009	300,000	334,125
Republic of Uruguay:		
7.25%, 2/15/2011	175,000	174,563
7.625%, 3/21/2036	385,000	346,500
9.25%, 5/17/2017	105,000	112,875
Republic of Venezuela:		
7.65%, 4/21/2025	50,000	49,750
9.375%, 1/13/2034	300,000	351,750
10.75%, 9/19/2013	895,000	1,067,735
Russian Federation, Series REG S, Step-up Coupon, 5.0% to 3/31/2007, 7.5% to 3/31/2030	1,505,000	1,601,771
Russian Ministry of Finance, Series VII, 3.0%, 5/14/2011	380,000	328,776
Socialist Republic of Vietnam, 144A, 6.875%, 1/15/2016	340,000	337,875
United Mexican States:		
5.625%, 1/15/2017 (b)	642,000	597,060
8.3%, 8/15/2031	115,000	132,825
		21,822,374

Telecommunication Services 1.1%

	Principal Amount ($)(a)	Value ($)
Cell C Property Ltd., 144A, 11.0%, 7/1/2015 (b)	185,000	154,475
Embratel, Series B, 11.0%, 12/15/2008 (b)	20,000	21,800
Grupo Iusacell SA de CV, Series B, 10.0%, 7/15/2004*	30,000	26,100
Intelsat Bermuda Ltd., 144A, 11.25%, 6/15/2016	75,000	76,875
Intelsat Ltd., 5.25%, 11/1/2008	95,000	89,300
Millicom International Cellular SA, 10.0%, 12/1/2013	15,000	16,725
Mobifon Holdings BV, 12.5%, 7/31/2010	195,000	220,837
Nortel Networks Ltd.:		
144A, 9.73%**, 7/15/2011	200,000	203,500
144A, 10.125%, 7/15/2013	90,000	91,575
144A, 10.75%, 7/15/2016	75,000	76,313
Stratos Global Corp., 144A, 9.875%, 2/15/2013	135,000	126,900
		1,104,400

Utilities 0.2%

	Principal Amount ($)(a)	Value ($)
Intergas Finance BV, Series REG S, 6.875%, 11/4/2011	175,000	**173,385**
Total Foreign Bonds — US$ Denominated (Cost $27,568,193)		**27,461,092**

Foreign Bonds — Non US$ Denominated 14.5%

Consumer Discretionary 0.1%

		Principal Amount ($)(a)	Value ($)
Unity Media GmbH, 144A, 8.75%, 2/15/2015	EUR	100,000	**115,754**

Sovereign Bonds 14.4%

		Principal Amount ($)(a)	Value ($)
Bundesrepublic Deutschland, Series 94, 6.25%, 1/4/2024	EUR	4,510,000	7,170,775
Federative Republic of Brazil, 12.5%, 1/5/2016	BRL	250,000	106,063
Government of Malaysia, Series 1/04, 4.305%, 2/27/2009	MYR	400,000	108,466
Province of Ontario, 1.875%, 1/25/2010	JPY	166,000,000	1,484,204
Republic of Argentina:			
5.83%, 12/31/2033 (PIK)	ARS	619,375	232,084
7.82%, 12/31/2033 (PIK)	EUR	634,093	678,432
Republic of Greece:			
4.6%, 5/20/2013	EUR	2,300,000	3,019,306
4.65%, 4/19/2007	EUR	805,000	1,039,658
Republic of Turkey, 20.0%, 10/17/2007	TRY	35	21
Republic of Uruguay, 10.5%, 10/20/2006	UYU	4,200,000	215,502
United Kingdom Treasury Bond, 4.75%, 9/7/2015	GBP	500,000	926,035
			14,980,546
Total Foreign Bonds — Non US$ Denominated (Cost $14,462,098)			**15,096,300**

US Government Sponsored Agencies 3.8%

	Principal Amount ($)(a)	Value ($)
Federal Home Loan Mortgage Corp., 5.125%, 7/15/2012	2,350,000	2,305,117
Tennessee Valley Authority, Series A, 6.79%, 5/23/2012	1,500,000	1,593,662
Total US Government Sponsored Agencies (Cost $4,071,931)		**3,898,779**

Loan Participation 0.1%

	Principal Amount ($)(a)	Value ($)
Republic of Algeria, Floating Rate Debt Conversion Bond, LIBOR plus .8125%, 5.813%**, 3/4/2010 (Cost $80,955)	84,000	**84,000**

Warrants 0.0%

	Shares	Value ($)
Dayton Superior Corp. 144A*, Expiration 6/15/2009	10	0
Travelcenters of America, Inc.*, Expiration 6/15/2009	25	3
Total Warrants (Cost $101)		**3**

Other Investments 0.2%

	Units	Value ($)
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029	85,000	68,850
IdleAire Technologies Corp. (Bond Unit), 144A, Step-up Coupon, 0% to 6/15/2008, 13.0% to 12/15/2012	160,000	120,000
Total Other Investments (Cost $184,934)		**188,850**

Common Stocks 0.0%

	Shares	Value ($)
GEO Specialty Chemicals, Inc.* (Cost $19,822)	2,058	**1,029**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Convertible Preferred Stocks 0.0%		
Consumer Discretionary		
ION Media Networks, Inc.:		
144A, 9.75%, (PIK)	2	13,950
Series AI, 144A, 9.75%, (PIK)	4	27,900
Total Convertible Preferred Stocks (Cost $41,950)		**41,850**

	Principal Amount ($)(a)	Value ($)
US Treasury Obligations 19.6%		
US Treasury Bill, 4.58%***, 7/20/2006 (c)	536,000	534,705
US Treasury Bonds:		
5.375%, 2/15/2031	2,700,000	2,746,618
6.0%, 2/15/2026	2,435,000	2,637,599
10.375%, 11/15/2012	4,350,000	4,642,607
US Treasury Notes:		
5.75%, 8/15/2010	4,850,000	4,969,165
6.125%, 8/15/2007	4,750,000	4,792,859
Total US Treasury Obligations (Cost $20,415,531)		**20,323,553**

	Shares	Value ($)
Securities Lending Collateral 5.8%		
Daily Assets Fund Institutional, 5.1% (d) (e) (Cost $6,028,028)	6,028,028	**6,028,028**
Cash Equivalents 7.1%		
Cash Management QP Trust, 5.07% (f) (Cost $7,340,899)	7,340,899	**7,340,899**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $109,182,065)†	105.2	**109,276,757**
Other Assets and Liabilities, Net	(5.2)	**(5,439,183)**
Net Assets	100.0	**103,837,574**

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest. The following table represents bonds that are in default.*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	125,000	USD	105,994	123,750
Grupo Iusacell SA de CV	10.0%	7/15/2004	30,000	USD	21,475	26,100
Oxford Automotive, Inc.	12.5%	10/15/2010	157,667	USD	14,765	2,365
					142,234	**152,215**

** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2006.*

*** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $109,538,620. At June 30, 2006, net unrealized depreciation for all securities based on tax cost was $261,863. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,216,205 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,478,068.*

(a) *Principal amount stated in US dollars unless otherwise noted.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $5,957,619 which is 5.7% of net assets.*

(c) *At June 30, 2006, this security, in part or in whole, has been segregated to cover initial margin requirements for open future contracts.*

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

(f) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

LIBOR: Represents the London InterBank Offered Rate.

PIK: Denotes that all or a portion of the income is paid in-kind.

At June 30, 2006, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Canada Government Bond	9/20/2006	9	904,882	889,519	(15,363)
10 Year Federal Republic of Germany Bond	9/7/2006	36	5,335,398	5,310,003	(25,395)
10 Year Japanese Government Bond	9/8/2006	2	2,298,721	2,300,769	2,048
10 Year US Treasury Note	9/20/2006	8	843,274	838,875	(4,399)
Total net unrealized depreciation					**(43,109)**

The accompanying notes are an integral part of the financial statements.

At June 30, 2006, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
10 Year Australian Bond	9/15/2006	21	1,603,540	1,585,717	17,823
2 Year Federal Republic of Germany Bond	9/7/2006	38	5,061,053	5,054,321	6,732
UK Treasury Bond	9/27/2006	17	3,452,938	3,423,427	29,511
Total net unrealized appreciation					**54,066**

At June 30, 2006, open credit default swap contract purchased was as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Paid by the Portfolio	Underlying Debt Obligation	Net Unrealized Depreciation ($)
6/2/2006 6/20/2011	1,450,000†	Fixed — 3.45%	Dow Jones CDX High Yield 100	(7,776)
6/14/2006 6/20/2011	1,155,000††	Fixed — 1.35%	Dow Jones CDX High Yield 100	(3,276)
Total net unrealized depreciation				**(11,052)**

Counterparties:

† *JPMorgan Chase Bank*

†† *Citigroup Global Markets, Inc.*

At June 30, 2006, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation/ (Depreciation) ($)
USD	1,250,316	SGD	1,978,000	7/27/2006	329
USD	1,632,827	GBP	912,000	7/27/2006	54,242
USD	3,313,488	CAD	3,740,000	7/27/2006	43,567
JPY	406,149,100	USD	3,581,356	7/27/2006	19,878
USD	1,619,000	JPY	186,300,000	9/6/2006	23,739
USD	1,773,226	EUR	1,400,000	9/6/2006	23,936
GBP	2,500,000	USD	4,713,250	9/6/2006	84,301
USD	3,692,220	GBP	2,000,000	9/6/2006	10,939
EUR	4,350,000	USD	5,650,781	9/6/2006	66,741
JPY	69,800,000	USD	618,734	9/6/2006	3,258
USD	24,743	EUR	19,559	9/15/2006	403
USD	25,067	EUR	19,673	9/15/2006	225
EUR	25,204	USD	32,654	9/15/2006	251
USD	89,000	IDR	841,050,000	9/15/2006	1,797
EUR	281,495	USD	363,565	9/15/2006	1,667
Total net unrealized appreciation					**335,273**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation/ (Depreciation) ($)
USD	85,134	IDR	759,058,224	7/25/2006	(3,189)
IDR	759,058,224	USD	80,923	7/25/2006	(1,022)
NOK	62,000	USD	9,857	7/27/2006	(121)
EUR	263,302	USD	295,481	7/27/2006	(7,064)
USD	317,739	AUD	427,000	7/27/2006	(922)
CHF	1,148,000	USD	914,013	7/27/2006	(26,174)
SEK	18,897,000	USD	2,537,225	7/27/2006	(88,234)
EUR	350,000	USD	440,885	9/6/2006	(8,406)
USD	614,238	JPY	69,200,000	9/6/2006	(4,052)
EUR	950,000	USD	1,207,156	9/6/2006	(12,347)
USD	3,322,413	JPY	36,610,000	9/6/2006	(94,248)

The accompanying notes are an integral part of the financial statements.

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation/ (Depreciation) ($)
EUR	416,464	USD	585,425	9/22/2006	(8,114)
Total net unrealized depreciation					**(253,893)**

Currency Abbreviations

ARS	Argentine Peso	CHF	Swiss Frank	JPY	Japanese Yen	SGD	Singapore Dollar
AUD	Australian Dollars	EUR	Euro	MYR	Malaysian Ringgit	TRY	New Turkish Lira
BRL	Brazilian Real	GBP	British Pound	NOK	Norwegian Krone	USD	US Dollar
CAD	Canadian Dollars	IDR	Indonesian Rupiah	SEK	Swedish Krona	UYU	Uruguayan Peso

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $95,813,138) — including $5,957,619 of securities loaned	$	95,907,830
Investment in Daily Assets Fund Institutional (cost $6,028,028)*		6,028,028
Investment in Cash Management QP Trust (cost $7,340,899)		7,340,899
Total investments in securities, at value (cost $109,182,065)		109,276,757
Cash		92,745
Foreign currency, at value (cost $990,936)		993,650
Receivable for investments sold		3,219,065
Interest receivable		1,896,358
Receivable for daily variation on open futures contracts		8,866
Net receivable on closed forward currency exchange contracts		52,372
Foreign taxes recoverable		3,535
Unrealized appreciation on forward currency exchange contracts		335,273
Other assets		1,279
Total assets		115,879,900
Liabilities		
Payable for investments purchased		5,566,892
Payable upon return of securities loaned		6,028,028
Payable for Portfolio shares redeemed		82,100
Unrealized depreciation on forward currency exchange contracts		253,893
Unrealized depreciation on credit default swap contracts		11,052
Accrued management fee		47,092
Other accrued expenses and payables		53,269
Total liabilities		12,042,326
Net assets, at value	**$**	**103,837,574**
Net Assets		
Net assets consist of:		
Undistributed net investment income		2,588,087
Net unrealized appreciation (depreciation) on:		
Investments		94,692
Credit default swaps		(11,052)
Foreign currency related transactions		137,246
Futures		10,957
Accumulated net realized gain (loss)		(370,300)
Paid-in capital		101,387,944
Net assets, at value	**$**	**103,837,574**
Class A		
Net Asset Value, offering and redemption price per share ($79,344,413 ÷ 7,183,469 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.05**
Class B		
Net Asset Value, offering and redemption price per share ($24,493,161 ÷ 2,226,037 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.00**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Interest (net of foreign taxes withheld of $5,697)	$	2,909,030
Interest — Cash Management QP Trust		111,576
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		14,559
Total Income		3,035,165
Expenses:		
Management fee		314,533
Custodian fees		21,655
Distribution service fees (Class B)		30,845
Record keeping fees (Class B)		15,465
Auditing		27,150
Legal		7,059
Trustees' fees and expenses		10,550
Reports to shareholders		20,101
Other		26,492
Total expenses before expense reductions		473,850
Expense reductions		(9,739)
Total expenses after expense reductions		464,111
Net investment income		**2,571,054**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(321,738)
Credit default swaps		(180,441)
Futures		(76,693)
Foreign currency related transactions		558,869
Net increase from payments by affiliates and gains (losses) realized on the disposal of investments in violation of restrictions		—
		(20,003)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(1,113,296)
Credit default swaps		123,804
Futures		78,457
Foreign currency related transactions		267,219
		(643,816)
Net gain (loss) on investment transactions		**(663,819)**
Net increase (decrease) in net assets resulting from operations	**$**	**1,907,235**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income	$ 2,571,054	$ 4,985,394
Net realized gain (loss) on investment transactions	(20,003)	355,060
Net unrealized appreciation (depreciation) during the period on investment transactions	(643,816)	(3,288,846)
Net increase (decrease) in net assets resulting from operations	1,907,235	2,051,608
Distributions to shareholders from:		
Net investment income:		
Class A	(3,447,308)	(5,064,114)
Class B	(1,139,329)	(1,726,009)
Net realized gains:		
Class A	(665,270)	(149,856)
Class B	(235,620)	(53,955)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	14,955,118	19,392,981
Reinvestment of distributions	4,112,578	5,213,970
Cost of shares redeemed	(7,851,664)	(12,247,000)
Net increase (decrease) in net assets from Class A share transactions	11,216,032	12,359,951
Class B		
Proceeds from shares sold	2,561,578	7,141,190
Reinvestment of distributions	1,374,949	1,779,964
Cost of shares redeemed	(4,895,621)	(2,685,538)
Net increase (decrease) in net assets from Class B share transactions	(959,094)	6,235,616
Increase (decrease) in net assets	6,676,646	13,653,241
Net assets at beginning of period	97,160,928	83,507,687
Net assets at end of period (including undistributed net investment income of $2,588,087 and $4,603,670, respectively)	**$ 103,837,574**	**$ 97,160,928**

Other Information		
Class A		
Shares outstanding at beginning of period	6,158,201	5,069,464
Shares sold	1,341,784	1,677,930
Shares issued to shareholders in reinvestment of distributions	375,578	468,040
Shares redeemed	(692,094)	(1,057,233)
Net increase (decrease) in Class A shares	1,025,268	1,088,737
Shares outstanding at end of period	**7,183,469**	**6,158,201**
Class B		
Shares outstanding at beginning of period	2,304,696	1,758,421
Shares sold	227,956	619,274
Shares issued to shareholders in reinvestment of distributions	125,911	160,213
Shares redeemed	(432,526)	(233,212)
Net increase (decrease) in Class B shares	(78,659)	546,275
Shares outstanding at end of period	**2,226,037**	**2,304,696**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$11.50**	**$12.25**	**$11.82**	**$11.10**	**$10.27**	**$ 9.86**
Income (loss) from investment operations:						
Net investment income[b]	.30	.65	.58	.41	.45	.48
Net realized and unrealized gain (loss) on investment transactions	(.07)	(.39)	.39	.47	.68	.03
Total from investment operations	.23	.26	.97	.88	1.13	.51
Less distributions from:						
Net investment income	(.57)	(.98)	—	(.15)	(.30)	(.10)
Net realized gain on investment transactions	(.11)	(.03)	(.54)	(.01)	—	—
Total distributions	(.68)	(1.01)	(.54)	(.16)	(.30)	(.10)
Net asset value, end of period	**$11.05**	**$11.50**	**$12.25**	**$11.82**	**$11.10**	**$10.27**
Total Return (%)	1.96**	2.38	8.60	7.85	11.30	5.23
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	79	71	62	62	60	21
Ratio of expenses (%)	.88*	.88	.84	.83	.73	.66
Ratio of net investment income (%)	5.39*	5.61	4.99	3.60	4.26	4.76
Portfolio turnover rate (%)	156*	120	210	160	65	27

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003[b]
Selected Per Share Data				
Net asset value, beginning of period	**$11.44**	**$12.17**	**$11.78**	**$11.44**
Income (loss) from investment operations:				
Net investment income[c]	.28	.61	.53	.17
Net realized and unrealized gain (loss) on investment transactions	(.08)	(.38)	.40	.17
Total from investment operations	.20	.23	.93	.34
Less distributions from:				
Net investment income	(.53)	(.93)	—	—
Net realized gain on investment transactions	(.11)	(.03)	(.54)	—
Total distributions	(.64)	(.96)	(.54)	—
Net asset value, end of period	**$11.00**	**$11.44**	**$12.17**	**$11.78**
Total Return (%)	1.90[d]**	1.92[d]	8.27	2.97**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	24	26	21	8
Ratio of expenses before expense reductions (%)	1.26*	1.25	1.22	1.26*
Ratio of expenses after expense reductions (%)	1.19*	1.21	1.22	1.26*
Ratio of net investment income (%)	5.08*	5.28	4.61	1.80*
Portfolio turnover rate (%)	156*	120	210	160

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from May 1, 2003 (commencement of operations of Class B shares) to December 31, 2003.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Technology VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$ 901.10	$ 899.00
Expenses Paid per $1,000*	$ 4.15	$ 5.98

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.43	$1,018.50
Expenses Paid per $1,000*	$ 4.41	$ 6.36

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Technology VIP	.88%	1.27%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Technology VIP

Concerns about economic growth and rising inflation caused investors to become more risk-averse as the semiannual period progressed, a shift that weighed heavily on the performance of technology stocks. Additionally, the issue of backdated option grants had a disproportionately negative effect on the sector. In this difficult environment, the Portfolio returned –9.89% (Class A shares, unadjusted for contract charges), trailing the –5.22% return of its benchmark, the Goldman Sachs Technology Index, for the first half of the year.

The primary reason for underperformance was stock selection in the software sector, where positions in Business Objects SA and video game software stocks, as well as an underweight in Oracle Corp.* (which outperformed) all detracted from performance. Our positioning in the semiconductor sector, along with an overweight in the internet stock eBay, Inc. also hurt the Portfolio's return. The leading positive contributor to performance was Cognizant Technology Solutions Corp., an Indian firm that continued to benefit from the outsourcing trend. Other top contributors were Corning Inc., Network Appliance, Inc.* and Inotera Memories, Inc., in addition to an underweight in Microsoft Corp.

In terms of positioning, our bottom-up approach to stock selection has led to overweights in communications equipment, semiconductors and Internet software, and underweights in the computers and peripherals, software, information technology services, and electronic equipment subsectors. We have been finding the most attractive opportunities in the communications equipment area, while we have been paring back the Portfolio's position in semiconductors. We continue to seek opportunities in areas that are not as heavily followed by the analyst community, including mid caps, small caps and overseas technology companies.

Kelly P. Davis, CFA	Brian S. Peters, CFA
Lead Portfolio Manager	*Portfolio Manager*

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies. Concentration of the Portfolio's investment in technology stocks may present a greater risk than investments in a more diversified portfolio. Investments by the Portfolio in emerging technology companies present greater risk than investments in more established technology companies. This Portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Goldman Sachs Technology Index is an unmanaged capitalization-weighted index based on a universe of technology-related stocks.

Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

**Not held in the Portfolio at the end of the reporting period.*

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Technology VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	98%	95%
Cash Equivalents	2%	5%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Information Technology	99%	100%
Industrials	1%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 191. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

	Shares	Value ($)
Common Stocks 96.3%		
Industrials 0.8%		
Electrical Equipment		
Cheng Uei Precision Industry Co., Ltd.	332,000	**1,348,406**
Information Technology 95.2%		
Communications Equipment 16.8%		
Cisco Systems, Inc.*	373,800	7,300,314
Corning, Inc.* (a)	254,500	6,156,355
Foundry Networks, Inc.*	180,500	1,924,130
Motorola, Inc.	241,484	4,865,903
QUALCOMM, Inc.	186,816	7,485,717
Research In Motion Ltd.*	31,300	2,183,801
		29,916,220
Computers & Peripherals 15.5%		
Apple Computer, Inc.*	103,900	5,934,768
EMC Corp.*	447,200	4,905,784
Hewlett-Packard Co.	210,900	6,681,312
Inotera Memories, Inc.	1,492,000	1,486,125
Network Appliance, Inc.*	70,700	2,495,710
QLogic Corp.*	112,420	1,938,121
SanDisk Corp.* (a)	32,700	1,667,046
Sun Microsystems, Inc.*	604,300	2,507,845
		27,616,711
Electronic Equipment & Instruments 1.5%		
Hon Hai Precision Industry Co., Ltd.	446,000	**2,755,000**
Internet Software & Services 14.3%		
Akamai Technologies, Inc.* (a)	61,000	2,207,590
eBay, Inc.*	210,600	6,168,474
Google, Inc. "A"*	22,500	9,434,925
Yahoo!, Inc.*	235,700	7,778,100
		25,589,089
IT Services 7.4%		
Automatic Data Processing, Inc.	150,530	6,826,535
Cognizant Technology Solutions Corp. "A"*	62,800	4,230,836
Patni Computer Systems Ltd. (ADR)*	9,300	132,804
Paychex, Inc.	51,900	2,023,062
		13,213,237
Semiconductors & Semiconductor Equipment 22.4%		
Advanced Micro Devices, Inc.*	114,700	2,800,974
Applied Materials, Inc.	234,200	3,812,776
ASML Holding NV (NY Registered)* (a)	102,500	2,072,550
Broadcom Corp. "A"*	101,687	3,055,694
Intel Corp.	377,589	7,155,311
Intersil Corp. "A"	87,900	2,043,675
Marvell Technology Group Ltd.* (a)	75,100	3,329,183
Maxim Integrated Products, Inc.	158,934	5,103,371
MKS Instruments, Inc.*	49,600	997,952
National Semiconductor Corp.	73,600	1,755,360
SiRF Technology Holdings, Inc.* (a)	71,000	2,287,620
Spansion, Inc. "A"* (a)	83,500	1,330,990
Texas Instruments, Inc.	134,300	4,067,947
		39,813,403
Software 17.3%		
Adobe Systems, Inc.*	206,600	6,272,376
Autodesk, Inc.*	79,700	2,746,462
Business Objects SA (ADR)* (a)	89,800	2,442,560
Cadence Design Systems, Inc.* (a)	110,200	1,889,930
Electronic Arts, Inc.*	99,600	4,286,784
Microsoft Corp.	161,646	3,766,352
Quest Software, Inc.*	190,100	2,669,004
Symantec Corp.*	233,577	3,629,786
Take-Two Interactive Software, Inc.* (a)	196,700	2,096,822
TIBCO Software, Inc.*	144,400	1,018,020
		30,818,096
Materials 0.3%		
Chemicals		
SODIFF Advanced Materials Co., Ltd.	28,944	**600,997**
Total Common Stocks (Cost $163,199,469)		**171,671,159**
Securities Lending Collateral 8.3%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $14,844,065)	14,844,065	**14,844,065**
Cash Equivalents 1.6%		
Cash Management QP Trust, 5.07% (d) (Cost $2,789,003)	2,789,003	**2,789,003**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $180,832,537)†	106.2	**189,304,227**
Other Assets and Liabilities, Net	(6.2)	**(11,122,000)**
Net Assets	100.0	**178,182,227**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $195,280,699. At June 30, 2006, net unrealized depreciation for all securities based on tax cost was $5,976,472. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $16,297,624 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $22,274,096.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $14,481,987 which is 8.1% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $163,199,469) — including $14,481,987 of securities loaned	$	171,671,159
Investment in Daily Assets Fund Institutional (cost $14,844,065)*		14,844,065
Investment in Cash Management QP Trust (cost $2,789,003)		2,789,003
Total investments in securities, at value (cost $180,832,537)		189,304,227
Foreign currency, at value (cost $3,616,416)		3,640,467
Receivable for investments sold		102,663
Dividends receivable		105,715
Interest receivable		25,913
Receivable for Portfolio shares sold		66,363
Foreign taxes recoverable		274
Other assets		4,351
Total assets		193,249,973
Liabilities		
Payable for Portfolio shares redeemed		36,640
Payable upon return of securities loaned		14,844,065
Accrued management fee		108,211
Other accrued expenses and payables		78,830
Total liabilities		15,067,746
Net assets, at value	**$**	**178,182,227**
Net Assets		
Net assets consist of:		
Net investment loss		(331,145)
Net unrealized appreciation (depreciation) on:		
Investments		8,471,690
Foreign currency related transactions		24,341
Accumulated net realized gain (loss)		(267,632,083)
Paid-in capital		437,649,424
Net assets, at value	**$**	**178,182,227**
Class A		
Net Asset Value, offering and redemption price per share ($163,752,096 ÷ 19,542,814 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.38**
Class B		
Net Asset Value, offering and redemption price per share ($14,430,131 ÷ 1,741,728 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.28**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $10,334)	$	439,017
Interest		100
Interest — Cash Management QP Trust		156,791
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		8,568
Total Income		604,476
Expenses:		
Management fee		768,193
Custodian and accounting fees		44,707
Distribution service fees (Class B)		19,931
Record keeping fees (Class B)		10,504
Auditing		22,908
Legal		10,044
Trustees' fees and expenses		11,798
Reports to shareholders		40,610
Other		8,525
Total expenses before expense reductions		937,220
Expense reductions		(2,001)
Total expenses after expense reductions		935,219
Net investment income (loss)		**(330,743)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		3,957,029
Written options		60,573
Foreign currency related transactions		(12,210)
		4,005,392
Net unrealized appreciation (depreciation) during the period on:		
Investments		(23,336,481)
Written options		(51,984)
Foreign currency related transactions		23,148
		(23,365,317)
Net gain (loss) on investment transactions		**(19,359,925)**
Net increase (decrease) in net assets resulting from operations	**$**	**(19,690,668)**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ (330,743)	$ (837,802)
Net realized gain (loss)	4,005,392	13,020,687
Net unrealized appreciation (depreciation) during the period on investment transactions	(23,365,317)	(6,202,419)
Net increase (decrease) in net assets resulting from operations	(19,690,668)	5,980,466
Distributions to shareholders from:		
Net investment income:		
Class A	—	(979,061)
Class B	—	(18,255)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	1,207,974	13,734,734
Reinvestment of distributions	—	979,061
Cost of shares redeemed	(18,522,282)	(50,111,493)
Net increase (decrease) in net assets from Class A share transactions	(17,314,308)	(35,397,698)
Class B		
Proceeds from shares sold	1,488,870	2,549,674
Reinvestment of distributions	—	18,255
Cost of shares redeemed	(1,904,408)	(2,984,180)
Net increase (decrease) in net assets from Class B share transactions	(415,538)	(416,251)
Increase (decrease) in net assets	(37,420,514)	(30,830,799)
Net assets at beginning of period	215,602,741	246,433,540
Net assets at end of period (including net investment loss and accumulated distributions in excess of net investment income of $331,145 and $402, respectively)	**$ 178,182,227**	**$ 215,602,741**

Other Information		
Class A		
Shares outstanding at beginning of period	21,420,473	25,536,462
Shares sold	128,547	1,583,343
Shares issued to shareholders in reinvestment of distributions	—	119,107
Shares redeemed	(2,006,206)	(5,818,439)
Net increase (decrease) in Class A shares	(1,877,659)	(4,115,989)
Shares outstanding at end of period	**19,542,814**	**21,420,473**
Class B		
Shares outstanding at beginning of period	1,782,726	1,832,122
Shares sold	168,183	296,780
Shares issued to shareholders in reinvestment of distributions	—	2,234
Shares redeemed	(209,181)	(348,410)
Net increase (decrease) in Class B shares	(40,998)	(49,396)
Shares outstanding at end of period	**1,741,728**	**1,782,726**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.30**	**$ 9.01**	**$ 8.84**	**$ 6.02**	**$ 9.36**	**$13.87**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.01)	(.03)	.04	(.04)	(.03)	.01
Net realized and unrealized gain (loss) on investment transactions	(.91)	.36	.13	2.86	(3.30)	(4.50)
Total from investment operations	(.92)	.33	.17	2.82	(3.33)	(4.49)
Less distributions from:						
Net investment income	—	(.04)	—	—	(.01)	(.02)
Net asset value, end of period	**$ 8.38**	**$ 9.30**	**$ 9.01**	**$ 8.84**	**$ 6.02**	**$ 9.36**
Total Return (%)	(9.89)**	3.74	1.92	46.84	(35.52)	(32.39)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	164	199	230	257	219	351
Ratio of expenses (%)	.88*	.86	.83	.86	.80	.81
Ratio of net investment income (%)	(.29)*	(.36)	.43	(.50)	(.37)	.12
Portfolio turnover rate (%)	73*	135	112	66	64	56

a *For the six months ended June 30, 2006 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.21**	**$ 8.93**	**$ 8.80**	**$ 6.01**	**$ 6.32**
Income (loss) from investment operations:					
Net investment income (loss)[c]	(.03)	(.07)	.01	(.07)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.90)	.36	.12	2.86	(.29)
Total from investment operations	(.93)	.29	.13	2.79	(.31)
Less distributions from:					
Net investment income	—	(.01)	—	—	—
Net asset value, end of period	**$ 8.28**	**$ 9.21**	**$ 8.93**	**$ 8.80**	**$ 6.01**
Total Return (%)	(10.10)**	3.27	1.48	46.42	(4.75)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	14	16	16	11	.3
Ratio of expenses before expense reductions (%)	1.27*	1.26	1.22	1.25	1.06*
Ratio of expenses after expense reductions (%)	1.27*	1.26	1.21	1.25	1.06*
Ratio of net investment income (%)	(0.68)*	(.76)	.05	(.89)	(.79)*
Portfolio turnover rate (%)	73*	135	112	66	64

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Information About Your Portfolio's Expenses

DWS Turner Mid Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (January 1, 2006 to June 30, 2006).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2006

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,041.70	$1,039.40
Expenses Paid per $1,000*	$ 4.76	$ 6.73
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/06	$1,000.00	$1,000.00
Ending Account Value 6/30/06	$1,020.13	$1,018.20
Expenses Paid per $1,000*	$ 4.71	$ 6.66

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Turner Mid Cap Growth VIP	.94%	1.33%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option.

DWS Turner Mid Cap Growth VIP

After a strong first quarter, the equity markets lost some ground during the second quarter, largely due to concerns that continued interest rate increases would slow economic growth, which in turn could hurt corporate profits and lower stock prices.

Despite the difficult environment, DWS Turner MidCap Growth VIP performed well relative to its benchmark, the Russell Mid Cap Growth Index. For the six-month period ending June 30, 2006, Class A shares of the Portfolio returned 4.17% (unadjusted for contract charges) to the index's 2.56%.

During the period, seven of the Portfolio's 10 sector positions beat their corresponding index sectors. Stock selection was strongest in the producer durables, consumer staples and financial sectors.

Growth-oriented holdings in the producer durables, consumer staples, and financial sectors contributed the most to performance. The greatest detractors from performance were health care and automotive and transportation stocks. Biotechnology, pharmaceutical, medical instrument, air freight/courier and railroad transportation stocks also lost ground.

Looking forward, we believe the earnings outlook is especially promising: The companies in the Russell Midcap Growth Index are expected to increase their earnings over the next 12 months, according to a consensus of Wall Street analysts. If healthy earnings growth does indeed continue, we believe it will lead to synchronized global economic expansion. If, at the same time, productivity gains keep inflation low, the overall environment should be good for stocks. Our emphasis will continue to be on owning stocks that we think have the strongest earnings prospects.

	William C. McVail
Christopher K. McHugh	Robert E. Turner
Lead Manager	*Portfolio Managers*

Turner Investment Partners, Inc., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Stocks of medium-sized companies involve greater risk than securities of larger, more established companies, as they often have limited product lines, markets or financial resources and may be subject to more-erratic and more-abrupt market movements. Additionally, it is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2006, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Turner Mid Cap Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/06**	**12/31/05**
Common Stocks	99%	96%
Cash Equivalents	1%	4%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/06**	**12/31/05**
Information Technology	21%	25%
Consumer Discretionary	18%	17%
Industrials	16%	14%
Health Care	15%	17%
Energy	10%	10%
Financials	10%	10%
Telecommunication Services	4%	2%
Consumer Staples	4%	2%
Materials	2%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 198. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Turner Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 98.7%		
Consumer Discretionary 17.9%		
Hotels Restaurants & Leisure 8.9%		
Burger King Holdings, Inc.* (a)	40,320	635,040
Ctrip.com International Ltd. (ADR) (a)	19,200	980,160
International Game Technology	86,450	3,279,913
Panera Bread Co. "A"* (a)	10,150	682,486
Scientific Games Corp. "A"*	45,170	1,608,955
Starwood Hotels & Resorts Worldwide, Inc.	47,120	2,843,221
Station Casinos, Inc. (a)	27,540	1,874,923
Wynn Resorts Ltd.* (a)	21,950	1,608,935
		13,513,633
Internet & Catalog Retail 2.8%		
Coldwater Creek, Inc.* (a)	41,860	1,120,174
Nutri/System, Inc.* (a)	33,950	2,109,313
VistaPrint Ltd.* (a)	36,910	986,973
		4,216,460
Media 0.5%		
Lamar Advertising Co. "A"* (a)	13,900	**748,654**
Multiline Retail 1.2%		
Nordstrom, Inc.	50,290	**1,835,585**
Specialty Retail 2.0%		
AnnTaylor Stores Corp.*	13,910	603,416
Circuit City Stores, Inc. (a)	55,190	1,502,272
Gymboree Corp.*	25,870	899,241
		3,004,929
Textiles, Apparel & Luxury Goods 2.5%		
Coach, Inc.*	93,310	2,789,969
Under Armour, Inc. "A"*	22,040	939,345
		3,729,314
Consumer Staples 4.0%		
Beverages 1.6%		
Hansen Natural Corp.* (a)	12,500	**2,379,625**
Food & Staples Retailing 1.6%		
Whole Foods Market, Inc.	38,040	**2,458,906**
Personal Products 0.8%		
Avon Products, Inc.	36,210	**1,122,510**
Energy 9.8%		
Energy Equipment & Services 3.9%		
Cameron International Corp.*	31,530	1,506,188
Diamond Offshore Drilling, Inc. (a)	14,670	1,231,253
Grant Prideco, Inc.*	29,540	1,321,915
National-Oilwell Varco, Inc.*	28,430	1,800,188
		5,859,544
Oil, Gas & Consumable Fuels 5.9%		
Arch Coal, Inc.	29,790	1,262,202
CNX Gas Corp.* (a)	26,000	780,000
CONSOL Energy, Inc.	32,240	1,506,253
Denbury Resources, Inc.*	28,700	908,929
Frontier Oil Corp. (a)	32,680	1,058,832
Range Resources Corp. (a)	61,364	1,668,487
Southwestern Energy Co.* (a)	20,690	644,700
Ultra Petroleum Corp.*	19,550	1,158,729
		8,988,132
Financials 9.8%		
Capital Markets 3.7%		
Affiliated Managers Group, Inc.* (a)	17,274	1,500,938
Investment Technology Group, Inc.*	17,190	874,283
Northern Trust Corp.	15,760	871,528
T. Rowe Price Group, Inc.	60,560	2,289,774
		5,536,523
Commercial Banks 2.0%		
Colonial BancGroup, Inc.	53,550	1,375,164
East West Bancorp., Inc.	29,860	1,131,992
Whitney Holding Corp.	14,980	529,843
		3,036,999
Diversified Financial Services 1.5%		
Chicago Mercantile Exchange Holdings, Inc.	2,750	1,350,662
Nasdaq Stock Market, Inc.* (a)	28,430	850,057
		2,200,719
Insurance 0.7%		
HCC Insurance Holdings, Inc.	37,890	**1,115,482**
Real Estate Investment Trusts 0.8%		
Host Hotels & Resorts, Inc. (REIT)	56,186	**1,228,788**
Real Estate Management & Development 1.1%		
CB Richard Ellis Group, Inc. "A"*	69,400	**1,728,060**
Health Care 14.6%		
Biotechnology 1.5%		
Celgene Corp.*	49,710	**2,357,745**
Health Care Equipment & Supplies 3.0%		
Dade Behring Holdings, Inc.	25,100	1,045,164
Intuitive Surgical, Inc.* (a)	11,020	1,300,029
ResMed, Inc.* (a)	29,070	1,364,837
Varian Medical Systems, Inc.*	17,450	826,258
		4,536,288
Health Care Providers & Services 4.6%		
DaVita, Inc.*	36,260	1,802,122
Express Scripts, Inc.*	26,290	1,886,045
Quest Diagnostics, Inc.	53,600	3,211,712
		6,899,879
Life Sciences Tools & Services 2.5%		
Covance, Inc.*	19,840	1,214,605
Pharmaceutical Product Development, Inc.	32,440	1,139,293
Thermo Electron Corp.*	40,430	1,465,183
		3,819,081
Pharmaceuticals 3.0%		
Allergan, Inc.	19,820	2,125,893
Forest Laboratories, Inc.*	26,990	1,044,243
Shire PLC (ADR) (a)	30,270	1,338,842
		4,508,978

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Industrials 15.9%		
Aerospace & Defense 1.3%		
Precision Castparts Corp.	33,700	**2,013,912**
Air Freight & Logistics 1.5%		
C.H. Robinson Worldwide, Inc.	41,710	**2,223,143**
Airlines 0.6%		
US Airways Group, Inc.* (a)	16,180	**817,737**
Commercial Services & Supplies 2.6%		
Manpower, Inc.	26,580	1,717,068
Monster Worldwide, Inc.*	29,010	1,237,567
Republic Services, Inc.	24,910	1,004,869
		3,959,504
Electrical Equipment 3.4%		
AMETEK, Inc.	47,360	2,243,917
General Cable Corp.*	33,300	1,165,500
Roper Industries, Inc.	35,270	1,648,872
		5,058,289
Industrial Conglomerates 1.5%		
McDermott International, Inc.*	33,225	1,510,741
Textron, Inc.	8,460	779,843
		2,290,584
Machinery 2.6%		
Bucyrus International, Inc. "A"	16,260	821,130
Harsco Corp.	13,820	1,077,407
Joy Global, Inc.	20,555	1,070,710
Oshkosh Truck Corp.	3,300	156,816
Trinity Industries, Inc. (a)	20,495	827,998
		3,954,061
Road & Rail 1.1%		
CSX Corp.	10,810	761,456
Landstar System, Inc.	19,260	909,650
		1,671,106
Trading Companies & Distributors 1.3%		
WESCO International, Inc.*	28,440	**1,962,360**
Information Technology 20.9%		
Communications Equipment 3.2%		
Ciena Corp.* (a)	204,990	986,002
F5 Networks, Inc.* (a)	15,940	852,471
Finisar Corp.* (a)	225,230	736,502
JDS Uniphase Corp.*	505,050	1,277,777
Redback Networks, Inc.* (a)	52,170	956,798
		4,809,550
Computers & Peripherals 1.4%		
Rackable Systems, Inc.* (a)	21,600	852,984
SanDisk Corp.*	24,520	1,250,030
		2,103,014
Electronic Equipment & Instruments 0.7%		
Itron, Inc.* (a)	17,930	**1,062,532**
Internet Software & Services 2.5%		
Akamai Technologies, Inc.* (a)	66,610	2,410,616
aQuantive, Inc.* (a)	53,980	1,367,313
		3,777,929
IT Services 2.5%		
CheckFree Corp.*	30,710	1,521,987
Fidelity National Information Services, Inc.	15,170	537,018
Global Payments, Inc.	18,320	889,436
MPS Group, Inc.*	57,760	869,866
		3,818,307
Semiconductors & Semiconductor Equipment 5.7%		
ASML Holding NV (NY Shares) (Registered)* (a)	45,300	915,966
Atheros Communications* (a)	46,310	878,037
Cymer, Inc.* (a)	29,180	1,355,703
Micron Technology, Inc.*	89,080	1,341,545
PMC-Sierra, Inc.* (a)	112,630	1,058,722
Silicon Laboratories, Inc.*	28,190	990,878
SiRF Technology Holdings, Inc.* (a)	25,440	819,677
Varian Semiconductor Equipment Associates, Inc.* (a)	39,480	1,287,443
		8,647,971
Software 4.9%		
BEA Systems, Inc.*	109,760	1,436,758
Citrix Systems, Inc.*	51,140	2,052,760
Nuance Communications, Inc.* (a)	110,320	1,109,819
Red Hat, Inc.* (a)	67,480	1,579,032
Salesforce.com, Inc.* (a)	42,300	1,127,718
		7,306,087
Materials 1.8%		
Chemicals 0.5%		
Ecolab, Inc.	20,090	**815,252**
Construction Materials 0.7%		
Martin Marietta Materials, Inc.	10,810	**985,332**
Metals & Mining 0.6%		
Allegheny Technologies, Inc. (a)	14,050	**972,821**
Telecommunication Services 4.0%		
Wireless Telecommunication Services		
Crown Castle International Corp.*	52,510	1,813,695
Leap Wireless International, Inc.*	17,460	828,477
NII Holdings, Inc.*	60,520	3,412,118
		6,054,290
Total Common Stocks (Cost $123,055,799)		**149,129,615**
Securities Lending Collateral 24.3%		
Daily Assets Fund Institutional, 5.1% (b) (c) (Cost $36,681,862)	36,681,862	**36,681,862**
Cash Equivalents 1.4%		
Cash Management QP Trust, 5.07% (d) (Cost $2,181,356)	2,181,356	**2,181,356**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $161,919,017)†	124.4	**187,992,833**
Other Assets and Liabilities, Net	(24.4)	**(36,836,559)**
Net Assets	100.0	**151,156,274**

The accompanying notes are an integral part of the financial statements.

* *Non-income producing security.*

† *The cost for federal income tax purposes was $161,924,270. At June 30, 2006, net unrealized appreciation for all securities based on tax cost was $26,068,563. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $29,172,272 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,103,709.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2006 amounted to $36,434,945 which is 24.1% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2006 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $123,055,799) — including $36,434,945 of securities loaned	$	149,129,615
Investment in Daily Assets Fund Institutional (cost $36,681,862)*		36,681,862
Investment in Cash Management QP Trust (cost $2,181,356)		2,181,356
Total investments in securities, at value (cost $161,919,017)		187,992,833
Cash		17,865
Receivable for investments sold		4,339,990
Receivable for Portfolio shares sold		80,448
Dividends receivable		54,622
Interest receivable		9,112
Other assets		2,381
Total assets		192,497,251

Liabilities		
Payable upon return of securities loaned		36,681,862
Payable for investments purchased		4,419,344
Payable for Portfolio shares redeemed		68,919
Accrued management fee		98,309
Other accrued expenses and payables		72,543
Total liabilities		41,340,977
Net assets, at value	**$**	**151,156,274**

Net Assets		
Net assets consist of:		
Undistributed net investment income		114,940
Net unrealized appreciation (depreciation) on investments		26,073,816
Accumulated net realized gain (loss)		9,766,950
Paid-in capital		115,200,568
Net assets, at value	**$**	**151,156,274**
Class A		
Net Asset Value, offering and redemption price per share ($123,520,559 ÷ 11,569,329 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.68**
Class B		
Net Asset Value, offering and redemption price per share ($27,635,715 ÷ 2,628,982 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.51**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2006 (Unaudited)

Investment Income		
Income:		
Dividends	$	798,359
Interest — Cash Management QP Trust		68,047
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		49,544
Total Income		915,950
Expenses:		
Management fee		633,811
Custodian and accounting fees		57,538
Distribution service fees (Class B)		36,048
Record keeping fees (Class B)		19,655
Auditing		22,263
Legal		7,629
Trustees' fees and expenses		4,804
Reports to shareholders		13,394
Other		7,997
Total expenses before expense reductions		803,139
Expense reductions		(2,215)
Total expenses after expense reductions		800,924
Net investment income (loss)		**115,026**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		9,788,906
Net unrealized appreciation (depreciation) during the period on investments		(3,857,459)
Net gain (loss) on investment transactions		**5,931,447**
Net increase (decrease) in net assets resulting from operations	**$**	**6,046,473**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2006 (Unaudited)	Year Ended December 31, 2005
Operations:		
Net investment income (loss)	$ 115,026	$ (848,873)
Net realized gain (loss) on investment transactions	9,788,906	15,832,516
Net unrealized appreciation (depreciation) during the period on investment transactions	(3,857,459)	(148,045)
Net increase (decrease) in net assets resulting from operations	6,046,473	14,835,598
Distributions to shareholders from:		
Net realized gains:		
Class A	(9,522,910)	—
Class B	(2,156,952)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	6,574,523	10,529,915
Reinvestment of distributions	9,522,910	—
Cost of shares redeemed	(9,601,583)	(18,562,756)
Net increase (decrease) in net assets from Class A share transactions	6,495,850	(8,032,841)
Class B		
Proceeds from shares sold	1,681,402	6,985,137
Reinvestment of distributions	2,156,952	—
Cost of shares redeemed	(2,363,031)	(5,854,761)
Net increase (decrease) in net assets from Class B share transactions	1,475,323	1,130,376
Increase (decrease) in net assets	2,337,784	7,933,133
Net assets at beginning of period	148,818,490	140,885,357
Net assets at end of period (including net investment income and accumulated net investment loss of $114,940 and $86, respectively)	**$ 151,156,274**	**$ 148,818,490**

Other Information		
Class A		
Shares outstanding at beginning of period	11,034,621	11,918,058
Shares sold	563,298	997,835
Shares issued to shareholders in reinvestment of distributions	829,522	—
Shares redeemed	(858,112)	(1,881,272)
Net increase (decrease) in Class A shares	534,708	(883,437)
Shares outstanding at end of period	**11,569,329**	**11,034,621**
Class B		
Shares outstanding at beginning of period	2,497,836	2,386,654
Shares sold	150,536	684,539
Shares issued to shareholders in reinvestment of distributions	190,543	—
Shares redeemed	(209,933)	(573,357)
Net increase (decrease) in Class B shares	131,146	111,182
Shares outstanding at end of period	**2,628,982**	**2,497,836**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2006[a]	2005	2004	2003	2002	2001[b]
Selected Per Share Data						
Net asset value, beginning of period	**$11.02**	**$ 9.86**	**$ 8.88**	**$ 5.98**	**$ 8.82**	**$10.00**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.02	(.05)	(.07)	(.06)	(.06)	(.04)
Net realized and unrealized gain (loss) on investment transactions	.50	1.21	1.05	2.96	(2.78)	(1.14)
Total from investment operations	.52	1.16	.98	2.90	(2.84)	(1.18)
Less distributions from:						
Net realized gain on investment transactions	(.86)	—	—	—	—	—
Net asset value, end of period	**$10.68**	**$11.02**	**$ 9.86**	**$ 8.88**	**$ 5.98**	**$ 8.82**
Total Return (%)	4.17**	11.76	11.04	48.49	(32.20)	(11.80)[d]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	124	122	118	110	61	48
Ratio of expenses before expense reductions (%)	.94*	1.11	1.19	1.18	1.13	1.82*
Ratio of expenses after expense reductions (%)	.94*	1.11	1.19	1.18	1.13	1.30*
Ratio of net investment income (loss) (%)	.22*	(.56)	(.82)	(.90)	(.82)	(.76)*
Portfolio turnover rate (%)	126*	151	174	155	225	205*

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2006[a]	2005	2004	2003	2002[b]
Selected Per Share Data					
Net asset value, beginning of period	**$10.88**	**$ 9.78**	**$ 8.84**	**$ 5.97**	**$ 6.60**
Income (loss) from investment operations:					
Net investment income (loss)[c]	(.00)***	(.09)	(.10)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.49	1.19	1.04	2.96	(.61)
Total from investment operations	.49	1.10	.94	2.87	(.63)
Less distributions from:					
Net realized gain on investment transactions	(.86)	—	—	—	—
Net asset value, end of period	**$10.51**	**$10.88**	**$ 9.78**	**$ 8.84**	**$ 5.97**
Total Return (%)	3.94**	11.25[d]	10.63	48.07	(9.55)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	28	27	23	13	.6
Ratio of expenses before expense reductions (%)	1.33*	1.51	1.56	1.57	1.38*
Ratio of expenses after expense reductions (%)	1.33*	1.48	1.56	1.57	1.38*
Ratio of net investment income (loss) (%)	(.17)*	(.93)	(1.19)	(1.29)	(.81)*
Portfolio turnover rate (%)	126*	151	174	155	225

a *For the six months ended June 30, 2006 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on an average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*
*** *Amount is less than $.005.*

A. Significant Accounting Policies

DWS Variable Series II (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, diversified management investment company organized as a Massachusetts business trust. The Trust offers twenty-nine portfolios (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios").

Multiple Classes of Shares of Beneficial Interest. The Trust offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to record keeping fees up to 0.15% and Rule 12b-1 fees under the 1940 Act equal to an annual rate of 0.25%, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 fee and record keeping fee). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

Security Valuation. DWS Money Market VIP values all securities utilizing the amortized cost method permitted in accordance with Rule 2a-7 under the 1940 Act and certain conditions therein. Under this method, which does not take into account unrealized capital gains or losses on securities, an instrument is initially valued at its cost and thereafter assumes a constant accretion/amortization rate to maturity of any discount or premium.

Investments in securities are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Portfolios. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Portfolios may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange.

Foreign Currency Translations. The books and records of the Trust are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. The Portfolios may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolios, through their custodian or sub-custodian bank, receive delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodian bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolios have the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolios' claims on the collateral may be subject to legal proceedings.

Securities Lending. Each Portfolio, except DWS Money Market VIP, may lend securities to financial institutions. The Portfolios retain beneficial ownership of the securities they have loaned and continue to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolios receive compensation for lending their securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent. Either the Portfolios or the borrower may terminate the loan. The Portfolios are subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Credit Default Swap Contracts. A credit default swap is a contract between a buyer and a seller of protection against a pre-defined credit event. The Portfolio may buy or sell credit default swap contracts to seek to increase the Portfolio's income, to add leverage to the Portfolio, or to hedge the risk of default on Portfolio securities. As a seller in the credit default swap contract, the Portfolio would be required to pay the par (or other agreed-upon) value of the referenced debt obligation to the counterparty in the event of a default by a third party, such as a US or foreign corporate issuer, on the debt obligation, which would likely result in a loss to the Portfolio. In return, the Portfolio would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Portfolio would keep the stream of payments and would have no payment obligations. The Portfolio may also buy credit default swap contracts in order to hedge against the risk of default of debt securities, in which case the Portfolio would function as the counterparty referenced above. This would involve the risk that the contract may expire worthless. It would also involve credit risk — that the seller may fail to satisfy its payment obligations to the Portfolio in the event of a default. When the Portfolio sells a credit default swap contract it will "cover" its commitment. This may be achieved by, among other methods, maintaining cash or liquid assets equal to the aggregate notional value of the underlying debt obligations for all outstanding credit default swap contracts sold by the Portfolio.

Credit default swap contracts are marked to market daily based upon quotations from the counterparty and the change in value, if any, is recorded daily as unrealized gain or loss. An upfront payment made by the DWS Balanced VIP and DWS Strategic Income VIP is recorded as an asset on the statement of assets and liabilities. An upfront payment received by the DWS Balanced VIP and DWS Strategic Income VIP is recorded as a liability on the statement of assets and liabilities. Under the terms of the credit default swap contracts, the Portfolio receives or makes payments semi-annually based on a specified interest rate on a fixed notional amount. These payments are recorded as a realized gain or loss on the statement of operations. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the Portfolio if the option is exercised. The Portfolios may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets; as a temporary substitute for selling selected investments; to lock in the purchase price of a security or currency which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments; and to enhance potential gain.

The liability representing the Portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available. Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the Portfolio writes a covered call option, the Portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Portfolio writes a put option it accepts the risk of a decline in the value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolios may enter into futures contracts as a hedge against anticipated interest rate, currency or equity market changes and for duration management, risk management and return enhancement purposes.

Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. When entering into a closing transaction, the Portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the Portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The Portfolios may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Loan Participations/Assignments. The Portfolios may invest in US dollar-denominated fixed and floating rate loans ("Loans") arranged through private negotiations between a foreign sovereign entity and one or more financial institutions ("Lenders"). The Portfolios invest in such Loans in the form of participations in Loans ("Participations") or assignments of all or a portion of loans from third parties ("Assignments"). Participations typically result in the Portfolios having a contractual relationship only with the Lender, not with the sovereign borrower. The Portfolios have the right to receive payments of principal, interest and any fees to which they are entitled from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In connection with purchasing Participations, the Portfolios generally have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the Loan, nor any rights of set-off against the borrower, and the Portfolios will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Portfolios assume the credit risk of both the borrower and the Lender that is selling the Participation.

Mortgage Dollar Rolls. DWS Core Fixed Income VIP, DWS Government & Agency Securities VIP and DWS Balanced VIP may enter into mortgage dollar rolls in which the Portfolio sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities at an agreed upon price and date. During the period between the sale and repurchase, the Portfolio will not be entitled to earn interest and receive principal payment on securities sold. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase or, alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of the securities sold by the Portfolio may decline below the repurchase price of those securities.

When-Issued/Delayed Delivery Securities. Several of the Portfolios may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. The Portfolios' policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, the Portfolios paid no federal income taxes and no federal income tax provision was required.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for the Portfolio a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether the Portfolio is taxable in certain jurisdictions), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006. Management will begin to evaluate the application of the Interpretation to each Portfolio and is not in a position at this time to estimate the significance of its impact, if any, on each Portfolio's financial statements.

At December 31, 2005, the following Portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforward ($)	Expiration Date
DWS Balanced VIP*	4,703,100	12/31/2008
	6,354,400	12/31/2009
	18,679,700	12/31/2010
	46,269,100	12/31/2011
DWS Davis Venture Value VIP	3,600,000	12/31/2010
	1,400,000	12/31/2011
	1,100,000	12/31/2012
DWS Dreman High Return Equity VIP	6,700,000	12/31/2011
DWS Government & Agency Securities VIP	14,000	12/31/2013
DWS High Income VIP	3,945,000	12/31/2007
	16,114,000	12/31/2008
	22,935,000	12/31/2009
	55,108,000	12/31/2010
	13,877,000	12/31/2011
DWS International Select Equity VIP**	6,900,000	12/31/2009
	10,600,000	12/31/2010
	4,401,000	12/31/2011
DWS Janus Growth & Income VIP	3,482,000	12/31/2009
	29,907,000	12/31/2010
	6,934,000	12/31/2011
DWS Janus Growth Opportunities VIP	22,695,000	12/31/2009
	42,499,000	12/31/2010
	19,473,000	12/31/2011
DWS Large Cap Value VIP	7,347,000	12/31/2010
	6,438,000	12/31/2011
DWS Mid Cap Growth VIP	8,893,000	12/31/2010
	23,998,000	12/31/2011

Portfolio	Capital Loss Carryforward ($)	Expiration Date
DWS Oak Strategic Equity VIP	3,525,000	12/31/2010
	2,522,000	12/31/2011
	3,689,000	12/31/2012
DWS Small Cap Growth VIP	59,486,000	12/31/2009
	71,888,400	12/31/2010
	4,154,600	12/31/2011
DWS Technology VIP	87,259,000	12/31/2009
	93,499,000	12/31/2010
	71,516,000	12/31/2011

* *Certain of these losses may be subject to limitations under Sections 381–384 of the Internal Revenue Code.*

** *Certain of these losses may be subject to limitations under Sections 381–383 of the Internal Revenue Code.*

For the period from November 1, 2005 through December 31, 2005, the following Portfolios incurred approximate net realized capital losses as follows:

Portfolio	Net Realized Capital Loss ($)
DWS Core Fixed Income VIP	293,200
DWS Government & Agency Securities VIP	12,000
DWS High Income VIP	40,500
DWS Janus Growth & Income VIP	240,400
DWS Technology VIP	2,685,000

As permitted by tax regulations, the Portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2006.

Distribution of Income and Gains. Distributions of net investment income, if any, for all Portfolios except the DWS Money Market VIP, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Portfolio if not distributed and, therefore, will be distributed to shareholders at least annually. All of the net investment income of the DWS Money Market VIP is declared as a daily dividend and is distributed to shareholders monthly.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in forward foreign currency exchange contracts, passive foreign investment companies, post October loss deferrals and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, a Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions, if any, will be determined at the end of the Fiscal year.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolios in proportion to their relative net assets.

Contingencies. In the normal course of business, the Portfolios may enter into contracts with service providers that contain general indemnification clauses. The Portfolios' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolios that have not yet been made. However, based on experience, the Portfolios expect the risk of loss to be remote.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for all Portfolios, with the exception of securities in default of principal.

B. Purchases and Sales of Securities

During the six months ended June 30, 2006, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Balanced VIP excluding US Treasury Obligations and mortgage dollar roll transactions	341,584,249	376,615,365
US Treasury Obligations	1,334,951	1,350,000
DWS Blue Chip VIP	377,282,416	393,353,635
DWS Core Fixed Income VIP excluding US Treasury Obligations and mortgage dollar roll transactions	158,207,685	117,819,428
US Treasury Obligations	281,797,774	267,670,806
mortgage dollar roll transactions	23,144,470	22,654,473
DWS Davis Venture Value VIP	38,399,101	43,349,907
DWS Dreman Financial Services VIP	415,019	13,829,125
DWS Dreman High Return Equity VIP	103,385,988	83,957,254
DWS Dreman Small Cap Value VIP	199,422,756	235,377,296
DWS Global Thematic VIP	109,418,964	95,755,624
DWS Government & Agency Securities VIP excluding US Treasury Obligations and mortgage dollar roll transactions	191,860,966	249,913,401
US Treasury Obligations	42,468,419	45,574,473
mortgage dollar roll transactions	218,636,661	187,861,994
DWS High Income VIP excluding US Treasury Obligations	238,081,914	262,918,975
US Treasury Obligations	2,023,721	1,953,002
DWS International Select Equity VIP	144,089,048	158,752,042
DWS Janus Growth & Income VIP	59,831,563	64,099,592
DWS Janus Growth Opportunities VIP	51,579,232	64,081,894
DWS Large Cap Value VIP	113,995,883	113,579,854
DWS Legg Mason Aggressive Growth VIP	7,767,256	2,153,483
DWS Mid Cap Growth VIP	15,218,259	18,706,484
DWS Oak Strategic Equity VIP	3,924,670	10,332,753
DWS Small Cap Growth VIP	132,862,988	155,816,490
DWS Strategic Income VIP excluding US Treasury Securities	57,674,007	54,961,682
US Treasury Securities	18,735,735	16,046,957
DWS Technology VIP	71,813,931	85,525,631
DWS Turner Mid Cap Growth VIP	99,567,037	98,597,238

For the six months ended June 30, 2006, transactions for written options on securities were as follows for the DWS Technology VIP:

	Number of Contracts	Premium
Outstanding, beginning of period	403	$ 69,716
Options written	1,349	189,045
Options closed	(1,042)	(100,767)
Options exercised	(307)	(88,278)
Options expired	(403)	(69,716)
Outstanding, end of period	—	$ —

C. Related Parties

Management Agreement. Under the Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolios in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolios. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Management Agreement. Accordingly, for the six months ended June 30, 2006, the fees pursuant to the Management Agreement were equivalent to the annual rates shown below of the Portfolios' average daily net assets, accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Balanced VIP	
$0–$250 million	.470%
next $750 million	.445%
over $1 billion	.410%
DWS Blue Chip VIP	.650%
DWS Core Fixed Income VIP	.600%
DWS Davis Venture Value VIP	
$0–$250 million	.950%
next $250 million	.925%
next $500 million	.900%
next $1.5 billion	.875%
over $2.5 billion	.850%
DWS Dreman Financial Services VIP	
$0–$250 million	.750%
next $750 million	.720%
next $1.5 billion	.700%
next $2.5 billion	.680%
next $2.5 billion	.650%
next $2.5 billion	.640%
next $2.5 billion	.630%
over $12.5 billion	.620%
DWS Dreman High Return Equity VIP	
$0–$250 million	.750%
next $750 million	.720%
next $1.5 billion	.700%
next $2.5 billion	.680%
next $2.5 billion	.650%
next $2.5 billion	.640%
next $2.5 billion	.630%
over $12.5 billion	.620%
DWS Dreman Small Cap Value VIP	.750%
DWS Global Thematic VIP	
$0–$250 million	1.000%
next $500 million	.950%
next $750 million	.900%
next $1.5 billion	.850%
over $3 billion	.800%
DWS Government & Agency Securities VIP	.550%
DWS High Income VIP	.600%
DWS International Select Equity VIP	.750%
DWS Janus Growth & Income VIP	
$0–$250 million	.750%
next $750 million	.725%
next $1.5 billion	.700%
over $2.5 billion	.675%

Portfolio	Annual Management Fee Rate
DWS Janus Growth Opportunities VIP	
$0–$250 million	.750%
next $750 million	.725%
next $1.5 billion	.700%
over $2.5 billion	.675%
DWS Large Cap Value VIP	.750%
DWS Legg Mason Aggressive Growth VIP	
$0–$250 million	.800%
next $500 million	.775%
next $750 million	.750%
next $1.5 billion	.725%
DWS Mid Cap Growth VIP	
$0–$250 million	.750%
next $750 million	.720%
next $1.5 billion	.700%
next $2.5 billion	.680%
next $2.5 billion	.650%
next $2.5 billion	.640%
next $2.5 billion	.630%
over $12.5 billion	.620%
DWS Money Market VIP	
$0–$215 million	.500%
next $335 million	.375%
next $250 million	.300%
over $800 million	.250%
DWS Oak Strategic Equity VIP	
$0–$250 million	.750%
next $250 million	.735%
next $500 million	.720%
over $1 billion	.705%
DWS Small Cap Growth VIP	
$0–$250 million	.650%
next $750 million	.625%
over $1 billion	.600%
DWS Strategic Income VIP	.650%
DWS Technology VIP	
$0–$250 million	.750%
next $750 million	.720%
next $1.5 billion	.700%
next $2.5 billion	.680%
next $2.5 billion	.650%
next $2.5 billion	.640%
next $2.5 billion	.630%
over $12.5 billion	.620%
DWS Turner Mid Cap Growth VIP	
$0–$250 million	.800%
next $250 million	.785%
next $500 million	.770%
over $1 billion	.755%

Aberdeen Asset Management PLC serves as subadvisor to DWS Core Fixed Income VIP and is paid by the Advisor for its services.

Dreman Value Management, L.L.C. serves as sub-advisor to the DWS Dreman Financial Services, DWS Dreman High Return Equity and DWS Dreman Small Cap Value VIPs and is paid by the Advisor for its services.

Salomon Brothers Asset Management Inc. serves as sub-advisor to DWS Legg Mason Aggressive Growth VIP and is paid by the Advisor for its services.

Janus Capital Management, L.L.C., serves as sub-advisor to the DWS Janus Growth & Income and DWS Janus Growth Opportunities VIPs and is paid by the Advisor for its services.

Turner Investment Partners, Inc. serves as sub-advisor to the DWS Turner Mid Cap Growth VIP and is paid by the Advisor for its services.

Oak Associates, Ltd. serves as sub-advisor to the DWS Oak Strategic Equity VIP and is paid by the Advisor for its services.

Davis Selected Advisers, L.P., serves as sub-advisor to the DWS Davis Venture Value VIP and is paid by the Advisor for its services.

The Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period January 1, 2006 through April 30, 2006 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annualized Rate
DWS Blue Chip VIP	
Class A	.950%
Class B	1.350%
DWS Core Fixed Income VIP	
Class A	.800%
Class B	1.200%
DWS Dreman Small Cap Value VIP	
Class A	.840%
Class B	1.240%
DWS Janus Growth & Income VIP	
Class A	.950%
DWS Large Cap Value VIP	
Class A	.800%
Class B	1.200%
DWS Strategic Income VIP	
Class A	1.050%
DWS Technology VIP	
Class A	.950%
Class B	1.350%

The Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period January 1, 2006 through September 30, 2006 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annualized Rate
DWS Davis Venture Value VIP	
Class A	.853%
Class B	1.253%
DWS Global Thematic VIP	
Class A	1.040%
Class B	1.440%
DWS Janus Growth & Income VIP	
Class B	1.253%

The Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period January 1, 2006 through November 30, 2006 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annualized Rate
DWS Dreman Financial Services VIP	
Class A	.990%
Class B	1.390%
DWS Dreman High Return Equity VIP	
Class A	.870%
Class B	1.270%
DWS Janus Growth Opportunities VIP	
Class A	.950%
Class B	1.35%
DWS Legg Mason Aggressive Growth VIP	
Class A	.908%
Class B	1.308%
DWS Mid Cap Growth VIP	
Class A	.950%
Class B	1.308%
DWS Oak Strategic Equity VIP	
Class A	1.150%
Class B	1.301%
DWS Strategic Income VIP	
Class B	1.199%
DWS Turner Mid Cap Growth VIP	
Class A	1.300%
Class B	1.337%

The Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period January 1, 2006 through April 30, 2008 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annualized Rate
DWS Balanced VIP	
Class A	.510%
Class B	.890%
DWS Small Cap Growth VIP	
Class A	.720%
Class B	1.090%

Accordingly, for the six months ended June 30, 2006, the effective management fees are as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Balanced VIP	1,514,532	139,411	.41%
DWS Blue Chip VIP	1,106,327	—	.65%
DWS Core Fixed Income VIP	1,030,698	—	.60%
DWS Davis Venture Value VIP	1,847,984	322,097	.78%
DWS Dreman Financial Services VIP	505,826	—	.75%
DWS Dreman High Return Equity VIP	3,355,424	—	.73%
DWS Dreman Small Cap Value VIP	2,329,508	—	.75%
DWS Global Thematic VIP	605,686	225,036	.63%
DWS Government & Agency Securities VIP	738,735	—	.55%
DWS High Income VIP	1,156,822	—	.60%
DWS International Select Equity VIP	1,045,525	—	.75%
DWS Janus Growth & Income VIP	880,325	—	.75%
DWS Janus Growth Opportunities VIP	557,969	—	.75%
DWS Large Cap Value VIP	1,165,357	—	.75%
DWS Legg Mason Aggressive Growth VIP	208,248	75,451	.51%
DWS Mid Cap Growth VIP	248,521	12,542	.71%

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Money Market VIP	703,169	—	.46%
DWS Oak Strategic Equity VIP	265,231	—	.75%
DWS Small Cap Growth VIP	926,143	—	.65%
DWS Strategic Income VIP	314,533	—	.65%
DWS Technology VIP	768,193	—	.75%
DWS Turner Mid Cap Growth VIP	633,811	—	.80%

In addition, for the six months ended June 30, 2006, Class B shares of the Portfolios waived record keeping expenses as follows:

Portfolio	Waived ($)
DWS Mid Cap Growth VIP	920
DWS Oak Strategic Equity VIP	8,311
DWS Small Cap Growth VIP	1,294
DWS Strategic Income VIP	6,927

Service Provider Fees. DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the Portfolio and general accounting records of each Portfolio. In turn, DWS-SFAC has delegated certain fund accounting functions to a third-party service provider. For the six months ended June 30, 2006, DWS-SFAC received the following fee for its services for the following Portfolios:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2006 ($)
DWS Davis Venture Value VIP	43,811	5,094
DWS Dreman Financial Services VIP	39,260	10,028
DWS Dreman High Return Equity VIP	65,476	8,583
DWS Global Thematic VIP	90,360	16,328
DWS Janus Growth & Income VIP	35,435	6,588
DWS Janus Growth Opportunities VIP	31,321	5,139
DWS Legg Mason Aggressive Growth VIP	29,865	4,907
DWS Mid Cap Growth VIP	29,402	5,100
DWS Oak Strategic Equity VIP	26,202	4,440
DWS Technology VIP	32,706	5,771
DWS Turner Mid Cap Growth VIP	46,702	9,991

Distribution Service Agreement. Under the Distribution Service Agreement, in accordance with Rule 12b-1 under the 1940 Act, DWS Scudder Investments Service Company ("DWS-SISC") receives a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2006, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2006 ($)
DWS Balanced VIP	41,342	6,376
DWS Blue Chip VIP	56,438	8,560
DWS Core Fixed Income VIP	106,749	15,514
DWS Davis Venture Value VIP	98,170	15,235
DWS Dreman Financial Services VIP	22,334	3,466
DWS Dreman High Return Equity VIP	170,662	26,519
DWS Dreman Small Cap Value VIP	112,185	16,678
DWS Global Thematic VIP	27,471	4,226
DWS Government & Agency Securities VIP	51,515	7,372
DWS High Income VIP	67,588	10,635
DWS International Select Equity VIP	84,855	12,765
DWS Janus Growth & Income VIP	41,556	6,239
DWS Janus Growth Opportunities VIP	13,417	2,011
DWS Large Cap Value VIP	50,692	7,713

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2006 ($)
DWS Legg Mason Aggressive Growth VIP	10,410	1,930
DWS Mid Cap Growth VIP	9,358	1,544
DWS Money Market VIP	75,679	12,527
DWS Oak Strategic Equity VIP	24,976	3,759
DWS Small Cap Growth VIP	50,146	7,518
DWS Strategic Income VIP	30,845	4,484
DWS Technology VIP	19,931	2,913
DWS Turner Mid Cap Growth VIP	36,047	5,302

Typesetting and Filing Service Fees. Under an agreement with DeIM, the Advisor is compensated for providing typesetting and certain regulatory filing services to the Portfolios. For the six months ended June 30, 2006, the amounts charged to the Portfolios by DeIM included in reports to shareholders were as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2006 ($)
DWS Balanced VIP	2,690	1,366
DWS Blue Chip VIP	2,690	1,366
DWS Core Fixed Income VIP	2,690	1,366
DWS Davis Venture Value VIP	2,690	1,366
DWS Dreman Financial Services VIP	2,690	1,366
DWS Dreman High Return Equity VIP	2,690	1,366
DWS Dreman Small Cap Value VIP	2,690	1,366
DWS Global Thematic VIP	2,690	1,366
DWS Government & Agency Securities VIP	2,690	1,366
DWS High Income VIP	2,690	1,366
DWS International Select Equity VIP	2,690	1,366
DWS Janus Growth & Income VIP	2,690	1,366
DWS Janus Growth Opportunities VIP	2,690	1,366
DWS Large Cap Value VIP	2,690	1,366
DWS Legg Mason Aggressive Growth VIP	2,690	1,366
DWS Mid Cap Growth VIP	2,690	1,366
DWS Money Market VIP	2,690	1,366
DWS Oak Strategic Equity VIP	2,690	1,366
DWS Small Cap Growth VIP	2,690	1,366
DWS Strategic Income VIP	2,690	1,366
DWS Technology VIP	2,690	1,366
DWS Turner Mid Cap Growth VIP	2,690	1,366

Trustees' Fees and Expenses. The Portfolios paid each Trustee not affiliated with the Advisor retainer fees.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Portfolios may invest in the Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in High Yield Securities

Investing in high yield securities may involve greater risks and considerations not typically associated with investing in US Government bonds and other high quality fixed-income securities. These securities are non-investment grade securities, often referred to as "junk bonds." Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high yield securities may be less liquid due to the extent that there is no established retail secondary market and because of a decline in the value of such securities.

E. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls or delayed settlements and may have prices more volatile than those of comparable securities of issuers in the United States of America.

F. Expense Reductions

For the six months ended June 30, 2006, the Advisor agreed to reimburse the Portfolios which represents a portion of the fee savings expected to be realized by the Advisor related to the outsourcing by the Advisor of certain administrative services to an unaffiliated service provider in the following amounts:

Portfolio	Amount ($)
DWS Balanced VIP	6,781
DWS Blue Chip VIP	3,242
DWS Core Fixed Income VIP	3,009
DWS Davis Venture Value VIP	3,420
DWS Dreman Financial Services VIP	1,638
DWS Dreman High Return Equity VIP	7,202
DWS Dreman Small Cap Value VIP	5,294
DWS Global Thematic VIP	1,831
DWS Government & Agency Securities VIP	2,221
DWS High Income VIP	2,761
DWS International Select Equity VIP	3,018
DWS Janus Growth & Income VIP	2,555
DWS Janus Growth Opportunities VIP	2,055
DWS Large Cap Value VIP	2,543
DWS Legg Mason Aggressive Growth VIP	1,745
DWS Mid Cap Growth VIP	1,742
DWS Money Market VIP	3,107
DWS Oak Strategic Equity VIP	1,555
DWS Small Cap Growth VIP	4,137
DWS Strategic Income VIP	1,972
DWS Technology VIP	1,954
DWS Turner Mid Cap Growth VIP	2,058

In addition, the Portfolios have entered into arrangements with their custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the Portfolios' expenses. During the six months ended June 30, 2006, the Portfolios' custodian fees were reduced under these arrangements as follows:

Portfolio	Amount ($)
DWS Balanced VIP	483
DWS Blue Chip VIP	19
DWS Core Fixed Income VIP	257
DWS Davis Venture Value VIP	238
DWS Dreman Financial Services VIP	34
DWS Dreman High Return Equity VIP	254
DWS Dreman Small Cap Value VIP	814
DWS Government & Agency Securities VIP	1,199
DWS High Income VIP	3,048
DWS Janus Growth & Income VIP	670
DWS Janus Growth Opportunities VIP	59
DWS Large Cap Value VIP	55
DWS Legg Mason Aggressive Growth VIP	113
DWS Mid Cap Growth VIP	32

Portfolio	Amount ($)
DWS Money Market VIP	64
DWS Oak Strategic Equity VIP	8
DWS Small Cap Growth VIP	429
DWS Strategic Income VIP	840
DWS Technology VIP	47
DWS Turner Mid Cap Growth VIP	157

G. Ownership of the Portfolios

At June 30, 2006, the beneficial ownership in the Portfolios was as follows:

DWS Balanced VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 40%, 25% and 17%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 72% and 27%.

DWS Blue Chip VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 54%, 31% and 11%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 75% and 25%.

DWS Core Fixed Income VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 37%, 28% and 25%. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 82% and 18%.

DWS Davis Venture Value VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 72% and 19%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 71% and 29%.

DWS Dreman Financial Services VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 60% and 38%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 73% and 27%.

DWS Dreman High Return Equity VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 68% and 25%. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 79% and 18%.

DWS Dreman Small Cap Value VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 57%, 23% and 15%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 73% and 22%.

DWS Global Thematic VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 61% and 37%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 66% and 34%.

DWS Government & Agency Securities VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 41%, 35% and 18%. Two Participating Insurance Companies were the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 84% and 10%.

DWS High Income VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 35%, 33% and 25%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 77% and 22%.

DWS International Select Equity VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 47%, 27% and 24%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 56% and 44%.

DWS Janus Growth & Income VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 72% and 27%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 84% and 16%.

DWS Janus Growth Opportunities VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 59%, 25%, and 14%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 88%.

DWS Large Cap Value VIP: Four Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 37%, 29%, 17% and 14%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 81% and 19%.

DWS Legg Mason Aggressive Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 76% and 14%. Two Participating Insurance Companies were the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 86% and 13%.

DWS Mid Cap Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 66% and 30%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 76% and 23%.

DWS Money Market VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 44%, 31% and 24%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 65% and 35%.

DWS Oak Strategic Equity VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 80% and 20%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 77% and 23%.

DWS Small Cap Growth VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 48%, 22% and 21%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 82% and 18%.

DWS Strategic Income VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 56% and 37%. Two Participating Insurance Companies were owners of record of 10% or more of the outstanding Class B shares of the Portfolio, each owning 63% and 36%.

DWS Technology VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 64% and 32%. Two Participating Insurance Companies were owners of record of 10% or more of the outstanding Class B shares of the Portfolio, each owning 79% and 20%.

DWS Turner Mid Cap Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 81% and 19%. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 83% and 17%.

H. Line of Credit

The Trust and several other affiliated funds (the "Participants") share in a $750 million revolving credit facility administered by JPMorgan Chase Bank N.A. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. The facility borrowing limit for each Portfolio as a percent of net assets is as follows:

Portfolio	Facility Borrowing Limit
DWS Balanced VIP	33%
DWS Blue Chip VIP	33%

Portfolio	Facility Borrowing Limit
DWS Core Fixed Income VIP	33%
DWS Davis Venture Value VIP	33%
DWS Dreman Financial Services VIP	33%
DWS Dreman High Return Equity VIP	33%
DWS Dreman Small Cap Value VIP	33%
DWS Global Thematic VIP	33%
DWS Government & Agency Securities VIP	33%
DWS High Income VIP	33%
DWS International Select Equity VIP	33%
DWS Janus Growth & Income VIP	33%
DWS Janus Growth Opportunities VIP	33%
DWS Large Cap Value VIP	33%
DWS Legg Mason Aggressive Growth VIP	33%
DWS Mid Cap Growth VIP	33%
DWS Money Market VIP	33%
DWS Oak Strategic Equity VIP	33%
DWS Small Cap Growth VIP	33%
DWS Strategic Income VIP	33%
DWS Technology VIP	5%
DWS Turner Mid Cap Growth VIP	33%

At June 30, 2006, DWS Dreman High Return Equity VIP had a $2,500,000 outstanding loan. Interest expense incurred on the borrowing was $1,876 for the six months ended June 30, 2006. The average dollar amount of the borrowings was $2,920,000, the weighted average interest rate on these borrowings was 5.62% and the Portfolio had a loan outstanding for thirty three days throughout the period.

At June 30, 2006, DWS High Income VIP had an $8,000,000 outstanding loan. Interest expense incurred on the borrowing was $42,343 for the six months ended June 30, 2006. The average dollar amount of the borrowings was $8,646,970, the weighted average interest rate on these borrowings was 5.62% and the Portfolio had a loan outstanding for five days throughout the period.

I. Payments Made by Affiliates

During the six months ended June 30, 2006, the Advisor fully reimbursed DWS Balanced VIP, DWS High Income VIP, DWS International Select Equity VIP and DWS Strategic Income VIP $50, $463, $101 and $25, respectively, for losses incurred on trades executed incorrectly.

In addition, the Advisor fully reimbursed DWS Strategic Income VIP $566 for a loss incurred in violation of investment restrictions.

The amounts of the losses were less than 0.01% of each Portfolio's average net assets, thus having no impact on each Portfolio's total return.

J. Regulatory Matters and Litigation

Market Timing Related Regulatory and Litigation Matters. Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors.

With respect to the lawsuits, based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the funds as follows:

> DeAM expects to reach final agreements with regulators in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.
>
> Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999–2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants.

Other Regulatory Matters. DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001–2003 with respect to directing brokerage commissions for portfolio transactions by certain DWS funds to broker-dealers that sold shares in the DWS funds and provided enhanced marketing and distribution for shares in the DWS funds. In addition, DWS Scudder Distributors, Inc. is in settlement discussions with the Enforcement Staff of the NASD regarding DWS Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as DWS Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons.

K. Acquisition of Assets

On April 29, 2005, the DWS Small Cap Growth VIP acquired all of the net assets of Scudder Variable Series I 21st Century Growth Portfolio pursuant to a plan of reorganization approved by shareholders on April 20, 2005. The acquisition was accomplished by a tax-free exchange of 7,739,831 Class A shares and 1,627,657 Class B shares of the Scudder Variable Series I 21st Century Growth Portfolio for 3,256,621 Class A shares and 680,062 Class B shares of the DWS Small Cap Growth VIP outstanding on April 29, 2005. Scudder Variable Series I 21st Century Growth Portfolio's net assets at that date of $45,435,834, including $4,404,910 of net unrealized appreciation, were combined with those of the DWS Small Cap Growth VIP. The aggregate net assets of the DWS Small Cap Growth VIP immediately before the acquisition were $209,671,733. The combined net assets of the DWS Small Cap Growth VIP immediately following the acquisitions were $255,107,567.

On April 29, 2005, the DWS Balanced VIP acquired all of the net assets of Scudder Variable Series I Balanced Portfolio pursuant to a plan of reorganization approved by shareholders on April 20, 2005. The acquisition was accomplished by a tax-free exchange of 10,773,456 Class A shares of the Scudder Variable Series I Balanced Portfolio for 5,591,767 Class A shares of the DWS Balanced VIP outstanding on April 29, 2005. Scudder Variable

Series I Balanced Portfolio's net assets at that date of $118,997,707, including $9,126,657 of net unrealized appreciation, were combined with those of the DWS Balanced VIP. The aggregate net assets of the DWS Balanced VIP immediately before the acquisition were $598,273,318. The combined net assets of the DWS Balanced VIP immediately following the acquisitions were $717,271,025.

L. Portfolio Mergers

On May 12, 2006, the Board of the Portfolios approved, in principle, the following mergers into the Acquiring DWS Portfolios:

Acquired Portfolios	Acquiring Portfolios
DWS Dreman Financial Services VIP	DWS Dreman High Return Equity VIP

Completion of each merger is subject to a number of conditions, including final approval by each participating Portfolio's Board and approval by shareholders of the Acquired Portfolios at a shareholder meeting expected to be held on or about August 24, 2006.

On July 12, 2006, the Board of the Portfolios approved, in principle, the following mergers into the Acquiring DWS Portfolios of DWS Variable Series I:

Acquired Portfolios	Acquiring Portfolios
DWS Janus Growth Opportunities VIP	DWS Capital Growth VIP
DWS Legg Mason Aggressive Growth VIP	DWS Capital Growth VIP
DWS Oak Strategic Equity VIP	DWS Capital Growth VIP

Completion of each merger is subject to a number of conditions, including final approval by each participating Portfolio's Board and approval by shareholders of the Acquired Portfolios at a shareholder meeting expected to be held on or about October 12, 2006.

Other Information

Additional information announced by Deutsche Asset Management regarding the terms of the expected settlements referred to in the Market Timing Related Regulatory and Litigation Matters and Other Regulatory Matters in the Notes to Financial Statements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Proxy Voting

A description of the Trust's policies and procedures for voting proxies for portfolio securities and information about how the Trust voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (click on "proxy voting"at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Trust's policies and procedures without charge, upon request, call us toll free at 1-800-621-1048.

About the Portfolios' Advisor

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

An investment in DWS Money Market VIP is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although DWS Money Market VIP seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Portfolio.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

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